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## Memorandum on the First Family's Financial Arrangements

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From: Harrison Wellford and Tom Shakow  
Subject: First Family Financial Arrangements

This memorandum addresses financial arrangements concerning the First Family.

### Presidential Allowance

The President receives, by statute, an annual expense allowance of \$50,000 (nontaxable) "to assist in defraying expenses relating to or resulting from the discharge of his official duties." The President is not required to make any accounting of how this allowance is spent. Any unused amount reverts to the Treasury. Neither the Treasury nor the White House discloses how much money reverts each year.

The President also receives a \$100,000 annual allowance for travel. As a functional matter, the annual allowance for travel is misleading; the President's official travel costs are likely orders of magnitude larger, and are almost entirely spread out and paid for by various agency budgets.<sup>1</sup>

The President receives a further \$19,000 annually for official entertaining. This amount, too, is misleadingly low; most of the entertainment costs of the White House are borne by the White House itself (see below) and other departments and agencies.

### Personal Food

Residence staff purchase all the food served to the First Family and personal guests. Residence staff ordinarily purchase the food from a list of secure grocers vetted by the Secret Service. (Former Executive Chef Walter Scheib said this often resulted in food being less than fresh; he began a practice of buying food informally from local farmer's markets.)

At regular intervals (normally once a month), the Chief Usher presents the First Family with a bill for the food purchased.

The First Family pays for all food served upstairs (in the Residence) unless it is for an official visit. The First Family also pays for personal meals served at Camp David.

Rosalynn Carter wrote, "It was a pleasure to have someone else shop and cook and serve, but a shock when we got our food bill for the last ten days of January "and it was over \$600! I went to see Rex Scouten, the chief usher, about it, but he wasn't surprised. 'Mrs. Carter,' he said gently, 'it's not cheap to live in the White House.' He was right." Because the Carters "always had a houseful of company guests of the children, family from home, or friends from around the country," Mrs. Carter said their food bill was "always astronomical!" [First Lady from Plains, p. 161]

### Personal Items

The First Family pays for all personal items and incidentals, such as toiletries, dry cleaning, tennis balls, hairdressers' services, and clothes.

*Borrowing Clothing.* Clothing can be borrowed from designers, but doing so poses political risks. Most notably, Nancy Reagan ran into trouble when she borrowed clothing from designers. The borrowing itself was not a violation of any rule. But Mrs. Reagan (a) promised to stop borrowing outfits in 1982, and to make full disclosure of any items she did borrow; then (b) admitted borrowing items through 1988, but said they were returned; and finally (c) said some had been kept as gifts from 'old friends' – and hence did not need to be disclosed. Time Magazine reported that the Reagans might have violated tax laws in keeping the dresses. After Time's initial inquiries, "a number of outfits that had been lent to Nancy Reagan were quietly returned to their owners." [Time, 10/31/88]

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<sup>1</sup> In 1992, Rep. Paul Kanjorski (D-Pa.) offered to change the president's travel budget from \$100,000 to \$185 million if the president would consent to full disclosure of his travel costs and how they are allocated. The Bush administration showed no interest in Rep. Kanjorski's proposal, and moved to stonewall his committee's inquiries.

## Travel

For security and other reasons, the President and First Lady use military aircraft when traveling. Guidelines on travel reimbursement policy are not public, but it appears a consistent set of guidelines have been in place since 1982. The memorandum supporting these guidelines is attached.<sup>2</sup>

Trips are almost always classified by the White House as official travel or political travel, or a combination of the two. Because many official activities have partisan consequences, sometimes it is difficult to determine how a trip, or part of a trip, should be characterized. The White House decides the nature of travel on a case-by-case basis.

### Definitions:

- Official travel is broadly defined as anything having to do with the carrying out of presidential duties and responsibilities. All foreign travel is considered official.
- Political travel entails all activities on behalf of the party (e.g., attending party functions, participating in fundraising).
- Unofficial travel. As a logical matter, travel unrelated to carrying out presidential duties and responsibilities is considered unofficial. As a practical matter, this category is more circumscribed than the definition would suggest. It appears that, in most cases, travel by the President unrelated to government function is treated as official, under the assumption that the President is always on duty. Presidential vacation trips, for example (including travel to Camp David), have been considered to fall under the official travel category.
- When members of the First Family are traveling with the President, their travel is ordinarily considered official as well.

### Policy:

- When a trip is for official purposes, the government pays all costs, including per diem (food and lodging), car rentals, and other incidental expenses.
- When a trip is for political or unofficial purposes, those involved must pay for their own food and lodging and other related expenses, and they must also reimburse the government with the equivalent of the airfare that they would have paid had they used a commercial airline.
- Often, a trip involves a combination of activities.
  - When a trip involves both official and political activities, a formula<sup>3</sup> determines the amount to be reimbursed for that part of the trip involving political activities.
  - When a trip involves both official and unofficial activities, travel costs are generally paid by the government; to the extent there are specific costs which can be clearly designated as unofficial, these are ordinarily paid by the individual incurring them.

Certain staff accompanying travelers (e.g., Secret Service agents) are always considered to be on official travel and all their travel costs are paid by the government. Reimbursement is calculated based on the equivalent of the airfare that the passenger would have had to pay had he or she traveled on commercial airlines.

## Personal Servants

Personal servants (including nannies and babysitters) are paid directly by the First Family. John Kennedy, for instance, brought his personal valet, George Thomas, to the White House, and paid his salary personally.

## Events hosted by the White House

### *Federally-funded events*

The White House Executive Residence's annual budget of about \$12.8 million pays for a variety of costs – “the care, maintenance, repair and alteration, refurnishing, improvement, heating, and lighting, including electric power and fixtures” of the Residence – but it also theoretically covers the “official entertainment expenses of the President.”

The precise allocation of these funds between Residence maintenance and entertaining is not public; it varies from administration to administration, and from year to year. The Chief Usher manages these funds at the direction of the President.

<sup>2</sup> Please note that the memorandum was obtained from the Reagan Library in Simi Valley, California. Markings in the text were present on the original, archival copy.

<sup>3</sup> activity time. Time spent in official activity ÷ Total activity time = Percentage of trip that is official. Time spent in political activity ÷ Total activity time = Percentage of trip that is political.” The formula explicitly excludes time spent in “actual travel, private study, or rest and relaxation” from the calculation.

As noted, the White House entertainment budget is by no means the sole source of funds to cover the White House's many elaborate events. The cost of many government-related events held at the White House is farmed out to related agencies. For instance, the cost of State Dinners is covered by the State Department.

#### *Non-federally-funded events*

Not all events at the White House, of course, are federally funded. The White House Social Secretary gives the Chief Usher information that indicates whether an event is political or nonpolitical. Political events are those attended only by members of one political party; the bill for these events is sent to the national party or the sponsoring political group.

Nonpolitical events are those open to the public or any political party, usually scheduled in advance and are held by groups that the president and first lady agree to host. The sponsoring group reimburses the White House for the expense of the event. For instance, the White House billed the Foundation for Art and Preservation in Embassies ("FAPE") \$16,000 to reimburse the costs of a 2005 reception which included drinks and heavy hors d'oeuvres for about 200 people. Such events have also included, for example: a Kennedy Center Honors reception, dinners for Save the Children, the Fulbright Foundation, the Miss America foundation, and the Washington Opera, as well as a gathering of the National Newspaper Association.

#### **Decorating**

As a general matter, White House decorating costs are covered by the White House Historical Association, an independent, charitable nonprofit. The Association works with the First Lady to choose art and decoration for the White House, and funds purchases through an Acquisition Trust (\$7 million, replenished from sales of books and commemorative items) and interest on an Endowment Fund (5% annually of a \$43.8 million fund).

Transition decoration is a slightly different matter. It is traditional for the federal budget to include up to \$200,000 every four years for costs of moving out the incumbent First Family, "setting up living quarters for the incoming First Family," and "family quarters redecoration." (All this is folded into the "White House Repair and Restoration" line of the budget.)

The budget for fiscal year 2009, however, has not been passed. Instead, a continuing resolution was passed (and signed on October 1, see Pub. L. 110-329); this resolution omits transition funding related to the residence.

The political problems associated with seeking money for redecoration of the White House (especially in the current climate) are obvious. If necessary, funds otherwise allocated generally to White House "repair and alteration, refurbishing [and] improvement" (as noted above, \$12.8 million in FY2008) may be directed to transition redecoration. In any event, this is a concern we advise raising with the Bush White House after the election.

#### **Moving Expenses**

The transition foundation (i.e., the organizing entity funded by the government and private donations, which pays all transition costs) will cover the cost of the First Family's move into the White House: The Clintons were reimbursed \$38,683 by the Presidential Transition Planning Foundation for the cost of their move from Little Rock in January 1993. The tax law permitted deduction of the full amount of these moving expenses as an itemized deduction on the Clintons' return. The Bushes received \$33,431 in payment from the Bush/Cheney Presidential Transition Foundation on their 2001 taxes, and deducted the same amount (+\$10, actually), presumably for moving expenses.

We believe the historical practices outlined above to be currently observed, and are verifying the currency of these practices with the transition team dedicated to the White House Office of Administration. If necessary, we will provide updated information as it is developed.



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