



Statement of

**Barry F. Huston**  
Specialist in Social Policy

Before

Budget Committee  
U.S. Senate

Hearing on

**“Social Security: A Discussion on the Facts  
and the Path Forward”**

March 25, 2026

**Congressional Research Service**

<https://crsreports.congress.gov>

TE10121

Chairman Graham, Ranking Member Merkley, and Members of the Committee:

Thank you for inviting me to testify on *Social Security: A Discussion on the Facts and the Path Forward*. My name is Barry Huston and I am a Specialist in Income Security at the Congressional Research Service (CRS). My testimony will provide an overview of Social Security, the program's projected financial shortfall, issues concerning the elimination of the shortfall, and conclude with a high-level discussion of past reform efforts.

## Background on Social Security

Old-Age, Survivors, and Disability Insurance (OASDI), or Social Security, is a federal social insurance program that provides monthly cash benefits to eligible retired or disabled workers and their dependents, and to the eligible survivors of deceased insured workers.<sup>1</sup> In 2026, Social Security covers approximately 186 million workers (about 93% of the workforce) and provides monthly cash benefits to over 70 million beneficiaries.<sup>2</sup> The program is authorized under Title II of the Social Security Act and administered by the Social Security Administration (SSA).

Social Security is financed primarily by dedicated payroll taxes, which are credited to the program's Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) trust funds. The total Social Security payroll tax rate is levied on the earnings of covered workers, up to an annual limit (or contribution and benefit base).<sup>3</sup> The two trust funds also receive income from the taxation of a portion of Social Security benefits and from interest earned on U.S. securities held by the trust funds (i.e., funds accumulated from years in which total income exceeded total cost). The OASI and DI trust funds are overseen by a Board of Trustees (trustees), which is tasked with reporting to Congress annually on the current and projected financial status of the trust funds. In their annual reports to Congress, the trustees have projected a financial shortfall within the 75-year long-range projection period every year since 1984.<sup>4</sup> The projected shortfall is caused by demographic factors (e.g., fertility, mortality, and immigration), economic factors (e.g., wage growth, price growth, and productivity), and program-specific factors (e.g., disability benefits claim rates).

Of note: The main driver of the shortfall is demographic factors—primarily, the aging of the U.S. population caused by decreases in fertility and increases in longevity, which have resulted over time in a lower ratio of workers paying into the program (i.e., revenues) relative to beneficiaries collecting from the program (i.e., costs).<sup>5</sup>

## Projected Financial Shortfall

The program's projected financial shortfall results from the relationship of its revenues, costs, and trust funds. The trustees' intermediate assumptions—their best estimate of future experience—project an ongoing and continued imbalance between these elements and estimate that the program will not be able

---

<sup>1</sup> CRS Report R42035, *Social Security Primer*.

<sup>2</sup> Social Security Administration (SSA), Office of the Chief Actuary (OCACT), *Fact Sheet on the Old-Age, Survivors, and Disability Insurance Program*, February 9, 2026, <https://www.ssa.gov/oact/FACTS/index.html>, and SSA, "Monthly Statistical Snapshot, January 2026, released in February 2026, [https://www.ssa.gov/policy/docs/quickfacts/stat\\_snapshot/](https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/).

<sup>3</sup> The *contribution and benefit base* is often referred to as the *taxable maximum*, or *tax max*.

<sup>4</sup> The 75-year period is used because it covers the average life expectancy of all Social Security participants (i.e., those subject to the Social Security payroll tax and beneficiaries). For more information, see CRS In Focus IF11851, *Social Security Long-Range Projections: Why 75 Years?*.

<sup>5</sup> For more information on how demographic factors affect the program's financial status, see CRS Report R48557, *Social Security's Projected Shortfall: The Role of Demographic Factors*.

to pay the full amounts of scheduled benefits in about seven years.<sup>6</sup> Under the trustees' projections, it is estimated that the Social Security program will be able to pay 100% of scheduled payments until sometime in 2034 and about 75% of scheduled payments in the decades thereafter.<sup>7</sup>

## Revenues, Costs, and the Trust Funds

Social Security has three sources of revenue: (1) payroll taxes, (2) tax revenues from the taxation of Social Security benefits, and (3) interest earned on asset reserves held in the trust funds. The Social Security payroll tax—a 12.4% payroll tax, evenly split between employees and employers, on covered earnings up to an annual limit—is the program's primary funding mechanism.<sup>8</sup> In addition, some beneficiaries are subject to federal income taxes on a portion of their Social Security benefits.<sup>9</sup> These two sources of revenue comprise the program's tax revenues, sometimes referred to as non-interest revenue. The program's tax revenues are credited to the program's trust funds, from which the program's costs are paid. As such, the trust funds provide an accounting mechanism that tracks the program's revenues and costs. The trust funds also provide a means to hold any accumulated assets (i.e., revenues not immediately needed to support costs). The excess tax revenues are held as asset reserves in the trust funds and are invested in interest-bearing U.S. Treasury securities.<sup>10</sup> The resulting interest provides the third source of revenue.

Social Security has three costs: (1) monthly benefit payments, (2) administrative expenses,<sup>11</sup> and (3) the Railroad Retirement financial interchange.<sup>12</sup> Administrative expenses and the financial interchange

---

<sup>6</sup> Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, *2025 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, June 18, 2025, p. 14, <https://www.ssa.gov/OACT/TR/2025/tr2025.pdf> (hereinafter *2025 Annual Report*). Under current law, the OASI and DI trust funds are distinct entities and cannot borrow from each other when faced with a funding shortfall. The shifting of funds between OASI and DI can be done only with authorization from Congress. In the past, Congress has authorized temporary interfund borrowing among the OASI, DI, and Medicare Hospital Insurance trust funds, as well as temporary payroll tax reallocations between OASI and DI, to deal with funding shortfalls. Most recently, under the Bipartisan Budget Act of 2015 (P.L. 114-74), Congress authorized a temporary reallocation of payroll taxes from the OASI fund to the DI fund for calendar years 2016-2018. Because of such actions, the OASI and DI trust funds are discussed on a combined basis. Considered separately, the *2025 Annual Report* projected the DI trust fund to have asset reserves throughout the 75-year projection period, whereas the OASI trust fund was projected to become depleted in 2033 (*2025 Annual Report*, p. 4). A subsequent OACT memorandum stated that under the projected effects of P.L. 119-21, the OASI trust fund would become depleted in 2032, and the DI trust fund would not become depleted throughout the 75-year projection period (Karen Glenn, Chief Actuary, letter to Sen. Ron Wyden, August 5, 2025, [https://www.ssa.gov/OACT/solvency/RWyden\\_20250805.pdf](https://www.ssa.gov/OACT/solvency/RWyden_20250805.pdf)).

<sup>7</sup> *2025 Annual Report*, p. 6.

<sup>8</sup> In 2025, payroll taxes accounted for 91.2% of program revenues, income from the taxation of benefits accounted for 3.9% of revenues, and interest income accounted for 4.9% of revenues. See SSA, "Financial Data for a Selected Time Period," <https://www.ssa.gov/OACT/ProgData/allOps.html>.

<sup>9</sup> For more information, see CRS In Focus IF11397, *Social Security Benefit Taxation Highlights*.

<sup>10</sup> Since 1980, the asset reserves have been invested exclusively in *special issues* (i.e., non-marketable U.S. Treasury securities). Trust fund use of marketable securities is largely seen as disruptive to capital markets and thus not in the public interest. See Jeffrey L. Kunkel, *Social Security Trust Fund Investment Policies And Practices*, Social Security Administration, Actuarial Note Number 142, January 1999, at [https://www.ssa.gov/oact/NOTES/pdf\\_notes/note142.pdf](https://www.ssa.gov/oact/NOTES/pdf_notes/note142.pdf).

<sup>11</sup> The program's administrative expenses are incurred by SSA and the Department of the Treasury for administering the program and provisions of the Internal Revenue Code (*2025 Annual Report*, p. 244). Administrative expenses are paid from the trust funds. Nearly all of SSA's administrative expenses are funded by appropriations to its limitation on administrative expenses account, and almost all of the funding for this account is provided each year as part of the annual appropriations process. For more information, see CRS Report R48187, *Social Security Administration (SSA): FY2025 Annual Limitation on Administrative Expenses (LAE) Appropriation: In Brief*.

<sup>12</sup> For more information about the financing of railroad retirement benefits and its connection with the financing of Social Security benefits, see CRS Report RS22350, *Railroad Retirement Board: Retirement, Survivor, Disability, Unemployment, and Sickness Benefits*.

typically account for about 1% of program costs on an annual basis.<sup>13</sup> Thus, the program's costs are essentially its monthly benefits, which account for about 99% of costs on an annual basis.

Given projected changes to the program over the 75-year projection period—in terms of the number of workers, the proportion of earnings subject to the payroll tax,<sup>14</sup> price growth, and wage growth—a common practice is to compare the program's tax revenues and costs as a rate of *taxable payroll*.<sup>15</sup> As the program grows—in terms of the number of covered workers (i.e., revenue) and the number of beneficiaries (i.e., cost)—this practice provides a means to compare revenues and costs in a standardized manner. **Figure 1** displays this standardization with tax revenues (i.e., non-interest revenue) and costs displayed as a percentage of taxable payroll from 2000 to 2099.<sup>16</sup>

**Figure 1** shows that the projected revenue rate is relatively stable (flat) over the projection period at just over 13% of taxable payroll. Because the revenue rate is expressed as a percentage of taxable payroll, and the combined Social Security payroll tax rate is fixed under current law at 12.4% of taxable earnings, any remaining variation in the revenue rate is due to assumptions about the income from the taxation of benefits, which is a relatively small portion of revenue.<sup>17</sup> The cost rate, which has been higher than the revenue rate since 2010, is projected to rise rapidly through 2040 because of demographic factors and then rise more gradually through 2080 before declining somewhat afterwards.<sup>18</sup> The trustees project that costs will continue to exceed total tax revenues indefinitely. That is, the program will continue to experience annual deficits.<sup>19</sup> At the point of projected trust fund depletion (2034)—when no trust fund asset reserves or interest income will be available—the difference between the projected cost rate and projected revenue rate reflects a benefit reduction. At this point, there will be a difference between scheduled benefits (benefit amounts specified under law) and payable benefits (percentage of scheduled benefits supported by tax revenues). The concept of scheduled versus payable benefits is discussed later and is visually represented by **Figure 3**.

---

<sup>13</sup> See SSA, “Cost Components,” <https://www.ssa.gov/OACT/ProgData/tsOps.html>.

<sup>14</sup> While the number of covered workers is expected to increase, and price and wage growth are expected to be positive, the proportion of earnings subject to the payroll tax is expected to be relatively stable. From a proportion of 83.5% in 2023, the trustees expect this to decrease to 82.5% by 2034 and remain constant thereafter. For more information, see SSA, OACT, *The Long-Range Economic Assumptions for the 2025 Trustees Report*, May 18, 2025, p. 76, [https://www.ssa.gov/OACT/TR/2025/2025\\_Long-Range\\_Economic\\_Assumptions.pdf](https://www.ssa.gov/OACT/TR/2025/2025_Long-Range_Economic_Assumptions.pdf).

<sup>15</sup> *2025 Annual Report*, p. 257. *Taxable payroll* is the weighted sum of taxable wages and taxable self-employment income. When this sum is multiplied by the Social Security payroll tax rate (i.e., 12.4%), it results in the total amount of payroll taxes.

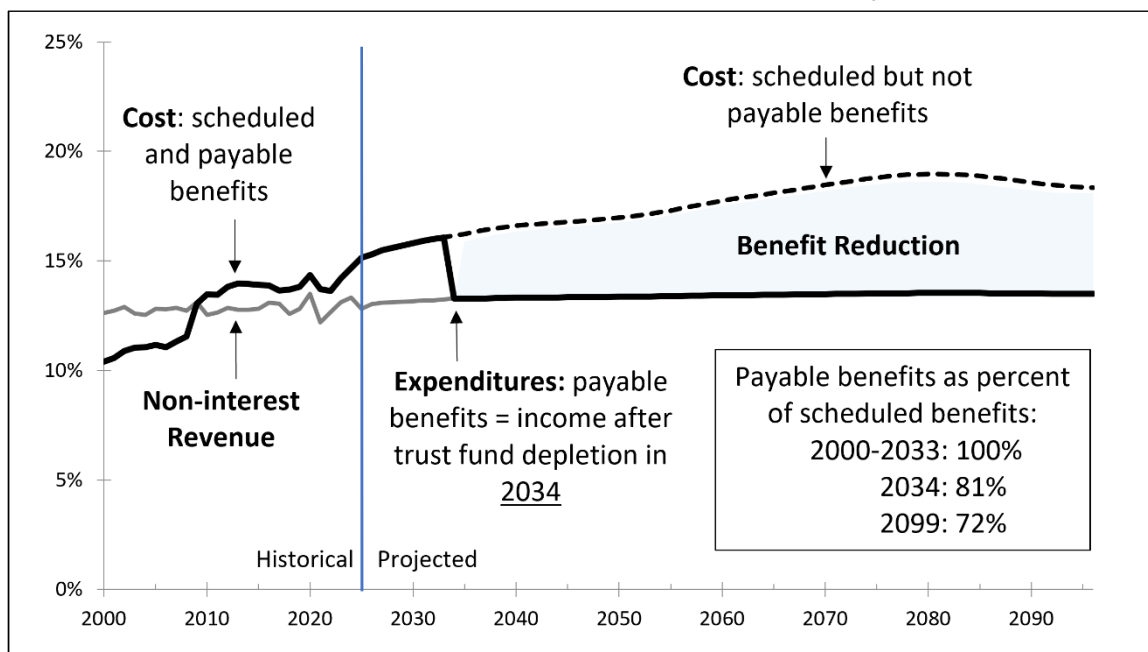
<sup>16</sup> For the remainder of this testimony, the non-interest revenue rate—or tax revenue rate—will be described more simply as the revenue rate or income rate.

<sup>17</sup> *2025 Annual Report*, p. 61.

<sup>18</sup> *2025 Annual Report*, p. 14.

<sup>19</sup> *2025 Annual Report*, pp. 13-15.

**Figure I. Social Security Cash Flow as a Percentage of Taxable Payroll, 2000-2099**  
 On a Combined Basis Under the 2025 Intermediate Assumptions



**Source:** 2025 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, June 18, 2025, Underlying data for Figure II.D2, p. 15, <https://www.ssa.gov/OACT/TR/2025/tr2025.pdf>.

**Note:** The trustees’ intermediate assumptions reflect their best estimate as to the future experience. This figure examines the trust funds on a hypothetical, combined basis. The payable percentages differ from **Figure 3** because of P.L. 119-21, see footnote 6.

## Cash Deficits, Annual Deficits, and Asset Reserves

The Social Security Amendments of 1983 (P.L. 98-21) are commonly considered the most recent major reform to Social Security.<sup>20</sup> When the amendments were passed, Social Security was months away from being unable to pay full benefits. Among other provisions, the amendments used a combination of revenue-increasing and cost-reducing measures to improve the program’s long-range financial status. As a result, from 1983 through 2009, Social Security operated with a *cash surplus* (i.e., tax revenues exceeded costs).<sup>21</sup> Each of those year’s cash surpluses accumulated in the trust funds and were invested in government securities—as required by law—earning interest and contributing to a growing level of asset reserves held in the trust funds (see **Figure 2**).<sup>22</sup>

Since 2010, the Social Security program has operated with *cash deficits* (i.e., costs exceeded tax revenues).<sup>23</sup> Thus, starting in 2010 the program has relied in part on interest income to pay the full amounts of scheduled benefits. As a result, the asset reserves continued to increase but at a slower pace

<sup>20</sup> For more information on the development of the 1983 amendments, see CRS Report R47040, *Social Security: Trust Fund Status in the Early 1980s and Today and the 1980s Greenspan Commission*.

<sup>21</sup> See SSA, “Old-Age, Survivors, and Disability Insurance Trust Funds, 1957-2024,” <https://www.ssa.gov/OACT/STATS/table4a3.html>.

<sup>22</sup> 42 U.S.C. §401(d).

<sup>23</sup> See “Income Components” and “Cost Components” at SSA, “Time Series for Selected Financial Items,” <https://www.ssa.gov/OACT/ProgData/tsOps.html>.

(see **Figure 2**). Under the intermediate assumptions, the trustees project cash deficits for the remainder of the 75-year projection period.

Starting in 2021, the Social Security program has been operating *annual deficits* (i.e., total costs exceeded total revenues). Tax revenues and interest together have not covered the amount of scheduled benefits. Thus, since 2021, Social Security has redeemed a portion of the asset reserves held in the trust funds in order to pay the full amounts of scheduled benefits. Under the intermediate assumptions, the trustees project continuing and generally increasing annual

deficits that will require redeeming increasing amounts of asset reserves (see **Figure 2**).<sup>24</sup> The program is projected to be able to rely on asset reserves to help pay scheduled benefits for about seven more years. The projected date of total asset reserve depletion is 2034 under the trustees intermediate (i.e., their best estimate) assumptions. At that point, with no trust fund assets to redeem, Social Security would be able to pay out in benefits only what it receives in tax revenues, which is projected to vary from 72% to 81% of scheduled benefits over the remainder of the 75-year projection period.<sup>25</sup> The trustees' low-cost set of assumptions represents a future experience that is the most advantageous to the program's financial status—thus resulting in a less immediate depletion of asset reserves (2051)—whereas the high-cost set of assumptions represents a future experience that is the least advantageous to the program's financial status—thus resulting in a more immediate depletion of asset reserves (2032).

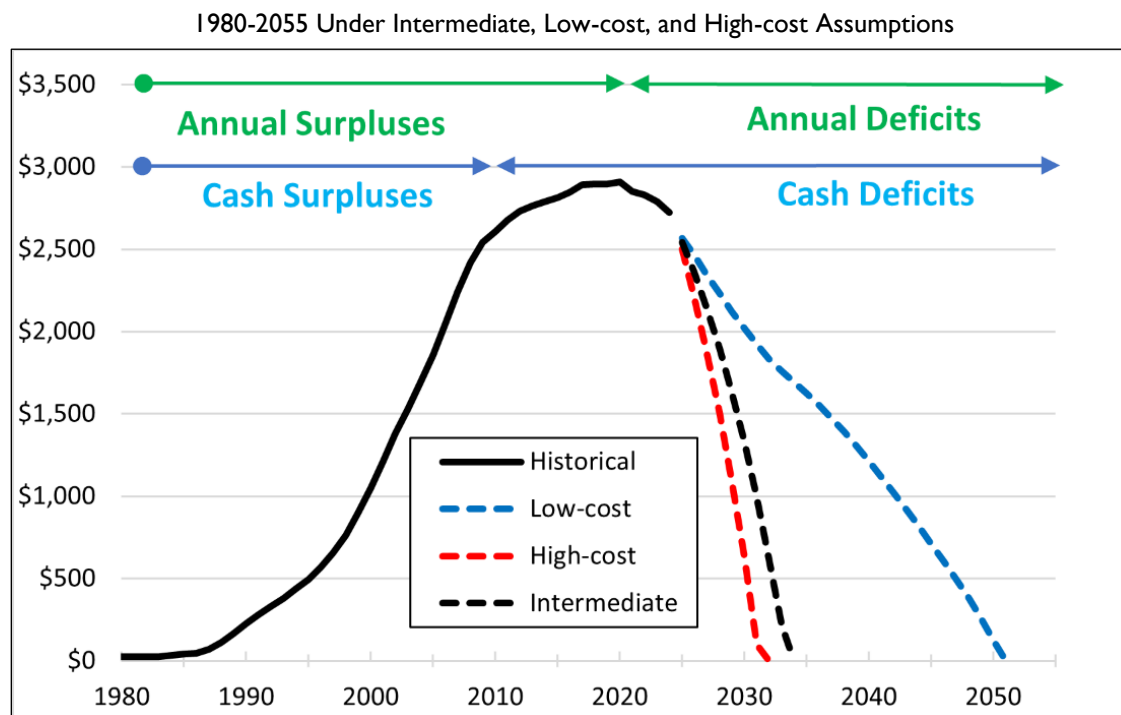
### Post-1983 Financial Reserves

Social Security's post-1983 financial history can be separated into three periods: accumulation, transition, and depletion. The *accumulation* period, 1983-2009, experienced annual and cash surpluses wherein asset reserves increased each year. During the *transition* period, 2010-2020, annual surpluses were offset by cash deficits resulting in a slower growth of asset reserves. In the *depletion* period, 2021-present, annual and cash deficits require redemption of asset reserves to pay scheduled benefits.

<sup>24</sup> 2025 Annual Report, Table IV.A3, pp. 51-52.

<sup>25</sup> 2025 Annual Report, Figure II.D2, p. 15.

**Figure 2. Historical and Projected Social Security Trust Fund Asset Reserves, In Billions of Current Dollars**



**Source:** Congressional Research Service (CRS) and the supplemental single-year tables (Table VI.G8) for the 2025 Annual Report (see <https://www.ssa.gov/OACT/TR/2025/lrIndex.html>).

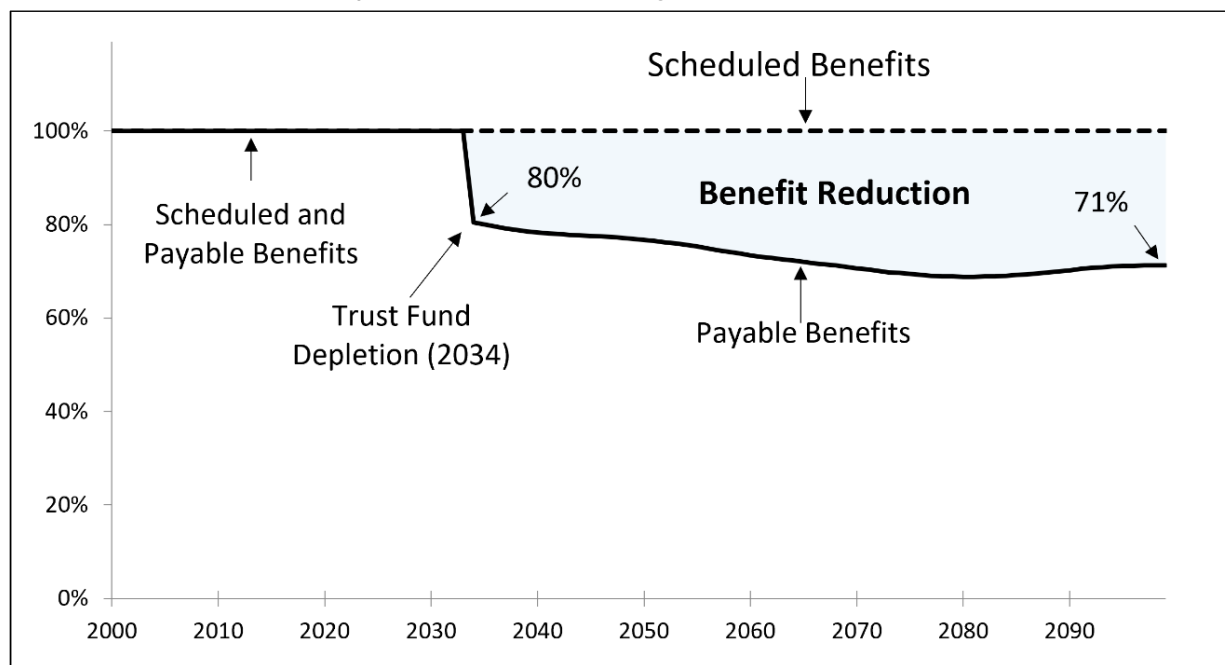
**Notes:** Projections use the trustees’ 2025 projections. The *low-cost* set of assumptions represents a future experience (e.g., higher fertility, higher mortality, lower unemployment) that is the most advantageous to the program’s financial status. The *high-cost* set of assumptions represents a future experience (e.g., lower fertility, lower mortality, higher unemployment) that is the least advantageous to the program’s financial status. The trustees use the *intermediate* set of assumptions to illustrate their best guess as to the future experience. Cash surpluses (deficits) denote years in which tax revenues exceed cost (cost exceed tax revenues). Annual surpluses (deficits) denote years in which total revenues exceed cost (cost exceed total revenue).

### Scheduled Versus Payable Benefits

As discussed, Social Security’s ability to pay the full amounts of scheduled benefits to current and future beneficiaries is determined by its revenues, costs, and trust funds. At the point of asset reserve depletion, there would be a difference between scheduled benefits (i.e., benefit amounts specified under current law) and *payable* benefits (i.e., the percentage of scheduled benefits supported by revenue). **Figure 3** demonstrates that, prior to trust fund depletion, scheduled benefits will equal payable benefits. However, at the time of depletion (2034) and absent any changes to current law, total payable benefits will become equal to continuing tax revenues. In 2034, payable benefits would be about 80% of scheduled benefits, and this would gradually decrease to 71% by 2099. At the point of trust fund depletion, **Figure 3** displays different percentages of payable benefits than **Figure 1**. This difference (i.e., lower payable benefits) reflects updated projections to include the effects of P.L. 119-21.

**Figure 3. Social Security Benefits: Scheduled Versus Payable (2000-2099)**

Payable Benefits as a Percentage of Scheduled Benefits



**Source:** CRS, based on memo from Kyle Burkhalter, Actuary, and Zhongde Li, Actuary, to Daniel Nickerson, Supervisory Actuary, and Karen Glenn, Chief Actuary, Social Security Administration, Office of the Chief Actuary (OCACT), “Current-Law OASDI Payable Percentages: Current-Law Revenue as a Percent of the Cost of Providing Scheduled Benefits Through Year 2099, Incorporating the Effects of P.L. 119-21—Information,” August 15, 2025.

**Notes:** Projections are based on the trustees’ 2025 intermediate assumptions and the projected effects of P.L. 119-21 (the FY2025 budget reconciliation law) for the combined Social Security trust funds. In calculating the share of payable benefits, OCACT limits revenue from the taxation of benefits to the amount that would be obtained from the payable benefits.

## Eliminating the Projected Shortfall

Under current law and intermediate assumptions, the trustees estimate that in about seven years the Social Security program will be unable to pay scheduled benefits in full and on time. To illustrate the magnitude of the changes needed to make Social Security solvent over the next 75 years, the trustees estimate the hypothetical immediate payroll tax increase (3.65 percentage points; from 12.4% to 16.05%) or hypothetical immediate benefit reduction (22.4%) needed to eliminate the projected financial shortfall.<sup>26</sup> The projected rising costs, relative to revenues, indicate that were current law to change in the projected year of asset reserve depletion (2034), the hypothetical changes needed to eliminate the shortfall would increase in magnitude. If action were delayed until 2034, the trustees estimate a 4.27 percentage point increase in the payroll tax rate (from 12.4% to 16.67%) or a 25.8% reduction in benefits would be needed to eliminate the projected financial shortfall.<sup>27</sup> In addition to illustrating the magnitude of changes needed to eliminate the projected financial shortfall, the previous example helps to characterize the types of solvency-related options: *revenue-increasing* and *cost-reducing*.

<sup>26</sup> The 2025 Annual Report, pp. 5-6. This calculation reflects the trustees’ estimates at the beginning of 2025 and does not incorporate any effects from P.L. 119-21.

<sup>27</sup> The 2025 Annual Report, pp. 5-6. This calculation reflects the trustees’ estimates at the beginning of 2025 and does not incorporate any effects from P.L. 119-21.

In practice, there are many more solvency-related measures available to lawmakers than the hypothetical examples previously discussed. For instance, each year the SSA's Office of the Chief Actuary updates a list of financial effects for over 100 commonly proposed solvency-related measures.<sup>28</sup> The Congressional Budget Office provides a similar function in their *Options for Reducing the Deficit and Social Security Policy Options*.<sup>29</sup> One similarity shared among these reports is the likeliness that no single provision would eliminate the financial shortfall.<sup>30</sup> For this reason, many legislative proposals addressing the program's finances include both revenue-increasing and cost-reducing measures. To highlight the wide range of policy options available to lawmakers, some common solvency-related options (five revenue-increasing and five-cost-reducing) are listed in **Table 1**.

**Table 1. Selected Solvency-Related Social Security Policy Options**

Revenue-Increasing	Cost-Reducing
Eliminate the taxable maximum (i.e., make all earnings subject to the payroll tax)	Reduce annual Cost-of-Living Adjustments, or COLAs, by specific percentage point (e.g., 1.0 or 0.5 percentage point)
Tax a portion of earnings above current-law taxable maximum (e.g., such that 90% of earnings would be subject to the payroll tax)	Use chained version of Consumer Price Index for Wage and Salary Workers (CPI-W) for COLA calculations (reducing the annual COLA by about 0.3 percentage point)
Increase the payroll tax rate (e.g., from 12.4% to 14.4%)	Reduce benefit growth by changing the indexation of bend points used in benefit calculation (from wage indexing to price indexing)
Cover newly hired State and local government employees	Reduce monthly benefits by increasing number of computation years used in benefit calculation (e.g., from 35 to 40 years)
Include other sources of revenue (e.g., apply additional tax to investment income)	Increase the full retirement age

**Source:** CRS.

The selected policy options in **Table 1** highlight some of the many types of provisions that lawmakers could include in solvency-related legislation. Looking ahead, the *timing, degree, and nature* of any future changes to the Social Security program will reflect the policy objectives of lawmakers engaged in the debate at the time. The Social Security Board of Trustees recommends that “lawmakers address the projected trust fund shortfalls in a timely way in order to phase in necessary changes gradually and give workers and beneficiaries time to adjust to them.”<sup>31</sup>

## Timing

Solvency-related legislation may be affected by timing in numerous ways. For instance, because of the growing imbalance between program revenues and costs, the magnitude of changes needed to eliminate the projected financial shortfall generally increases with time. This point can be illustrated by examining

<sup>28</sup> For a list of many policy options, see <https://www.ssa.gov/OACT/solvency/provisions/index.html>.

<sup>29</sup> For the most recent examples of each, see <https://www.cbo.gov/publication/60557> and <https://www.cbo.gov/publication/51011>.

<sup>30</sup> For instance, the intermediate assumptions in the 2011 Annual Report were the last year that an elimination of the taxable maximum was projected to eliminate the projected financial shortfall (see [https://www.ssa.gov/OACT/solvency/provisions\\_tr2011/charts/chart\\_run108.html](https://www.ssa.gov/OACT/solvency/provisions_tr2011/charts/chart_run108.html)). Under the intermediate assumptions in the 2025 Annual Report, the elimination of the taxable maximum would have eliminated 54% of the funding shortfall (see [https://www.ssa.gov/OACT/solvency/provisions/charts/chart\\_run415.html](https://www.ssa.gov/OACT/solvency/provisions/charts/chart_run415.html)). For more information on policy options related to the taxable maximum, see CRS Report RL32896, *Social Security: Raising or Eliminating the Taxable Earnings Base*.

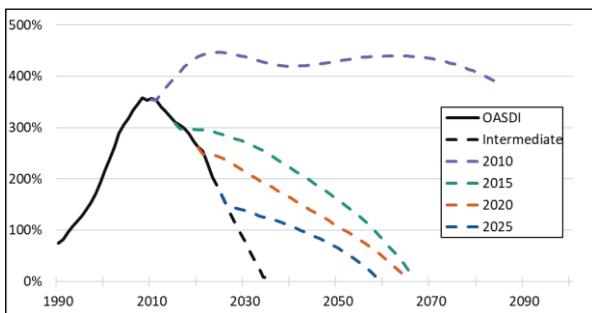
<sup>31</sup> The 2025 Annual Report, p. 7.

how some solvency-related provisions would have had an impact on the program’s financial status had they been implemented in previous years.

**Figure 4** and **Figure 5** demonstrate how the timing of two different hypothetical provisions would have affected the program’s financial status, expressed as changes to the projected trust fund ratio. The trust fund ratio is the trust fund’s asset reserves at the beginning of a year expressed as a percentage of the projected total cost for the year. For instance, a trust fund ratio of 200% indicates that two years of projected benefits could be paid with asset reserves absent any additional income. A test of the program’s short-range financial adequacy is satisfied if (1) the projected trust fund ratio is at least 100% at the beginning of the 10-year projection period and remains so for the entire 10-year projection period or (2) the ratio is below 100% at the beginning of the 10-year projection period but is projected to reach at least 100% within five years and remain at least 100% for the remainder of the 10-year projection period.<sup>32</sup>

**Figure 4** shows the projected trust fund ratios had the taxable maximum been eliminated in the next year (e.g., under the 2010 Annual Report’s intermediate assumptions, eliminate the taxable maximum beginning in 2011). **Figure 5** shows the projected trust fund ratios had all future COLAs been reduced by 1.0 percentage point in different years. As can be seen, in both the revenue-increasing (**Figure 4**) and cost-reducing (**Figure 5**) example used, the trust fund ratio would have been improved had the change been implemented sooner (e.g., 2020) rather than more recently (e.g., 2025). Therefore, a change implemented in 2026 would have a more advantageous effect on the program’s financial status than the same change implemented five years later.

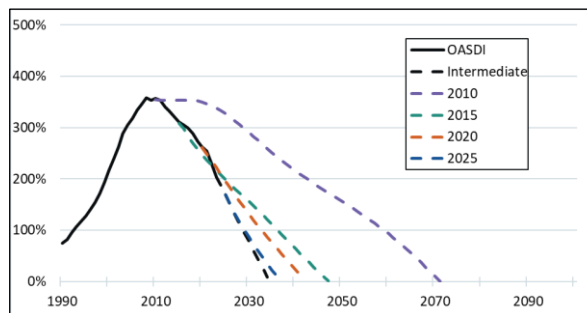
**Figure 4. Trust Fund Ratios: Eliminate the Taxable Maximum**



**Source:** CRS using SSA OACT cost estimates (<https://www.ssa.gov/OACT/solvency/provisions/index.html>).

**Notes:** The trust fund ratio is the ratio of asset reserves (combined OASI and DI) to the cost of the program for the year.

**Figure 5. Trust Fund Ratios: Reduce Cost of Living Adjustments by 1.0 Percentage Point**



**Source:** CRS using SSA OACT cost estimates (<https://www.ssa.gov/OACT/solvency/provisions/index.html>).

**Notes:** The trust fund ratio is the ratio of asset reserves (combined OASI and DI) to the cost of the program for the year.

A second way in which solvency-related measures may be affected by timing is whether a provision is implemented at once or gradually over a period of time. The examples shown above (**Figure 4** and **Figure 5**) both demonstrate an *at once* approach wherein the policy change would take effect immediately. However, lawmakers may choose to delay the impact of a policy change or make the impact gradual. For instance, lawmakers could choose to tax an increasing amount of earnings above the current-law taxable maximum until the taxable maximum is eventually eliminated over a period of years. Similarly, lawmakers could choose to reduce the annual COLAs by 0.1 percentage points each year until, after 10 years, all future COLAs would be reduced by 1.0 percentage point.

<sup>32</sup> The 2025 Annual Report, p. 12.

Congress has previously used such an approach. Although many of the provisions included in the Social Security Amendments of 1983 (P.L. 98-21) had an immediate effect, some did not. For example, one provision of the 1983 amendments gradually increased the full retirement age (FRA; the age at which a beneficiary would be entitled to his or her full basic monthly benefit without reduction for early claiming) from 65 to 67 over a 22-year period that started for those who turned age 62 in 2000. The increase in the FRA is fully phased in (the FRA is 67) for workers born in 1960 or later (i.e., for workers who become eligible for retirement benefits at age 62 in 2022).<sup>33</sup>

## Degree

As discussed, the 1983 amendments are considered the last major reform to the Social Security program. In the 1983 Annual Report, the trustees noted that the report marked the first time in a decade that the program showed a projected 75-year actuarial balance between cost and income.<sup>34</sup> After the 1983 legislation, the program's projected cost and income rates were relatively close over the long-term. However, in the ensuing years the program has moved farther out of actuarial balance.

In many Congresses since, lawmakers have introduced legislation that would eliminate the entirety of the projected financial imbalance. Proposals such as these result in *sustainable solvency*, in which the estimated trust funds ratio is positive throughout the 75-year projection period and rising or stable at the end of the projection period.

Conversely, some proposals seek to address a *portion* of the projected financial imbalance. For illustrative purposes, one could imagine a proposal that consisted of two provisions: a cost-reducing provision that would decrease the annual COLA by 0.5 percentage points and a revenue-increasing provision that would gradually increase the taxable maximum such that 90% of earnings would be subject to the payroll tax by 2035. This pair of provisions would eliminate about 49% of the projected financial imbalance.<sup>38</sup> Such an approach would delay the projected

### Projected Shortfall: 1983 Versus Today

The actuarial balance is a frequently used summary measure of the program's financial status. It is often interpreted as the approximate percentage point increase in the payroll tax rate that would be necessary for the trust funds to remain fully solvent throughout the 75-year projection period.<sup>35</sup>

Before passage of the 1983 amendments, the program faced an actuarial balance of -1.82% of taxable payroll.<sup>36</sup> In the 2025 Annual Report, the trustees estimate the actuarial balance to be -3.82% of taxable payroll.<sup>37</sup> In other words, the projected shortfall today is more than twice as large as the one lawmakers addressed in 1983.

<sup>33</sup>For more information on the 1983 amendments, see CRS Report R47040, *Social Security: Trust Fund Status in the Early 1980s and Today and the 1980s Greenspan Commission*.

<sup>34</sup>The Board of Trustees, Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, *1983 Annual Report*, June 24, 1983, p. 2, <https://www.ssa.gov/OACT/TR/historical/1983TR.pdf>.

<sup>35</sup>At the start of 2025, the actual payroll tax rate increase that would have been necessary to ensure the trust funds remain fully solvent throughout the 75-year projection period was 3.65 percentage points. This is less than the 3.82% actuarial deficit for two reasons: (1) the actuarial deficit incorporates an ending trust fund asset reserve equal to one year's cost at the end of the projection period (i.e., 75 years) and (2) the actuarial deficit does not reflect behavioral responses to the payroll tax rate increase (The 2025 Annual Report, p. 6).

<sup>36</sup>John A. Svahn and Mary Ross, "Social Security Amendments of 1983: Legislative History and Summary of Provisions," *Social Security Bulletin*, vol. 46, no. 7 (July 1983), p. 41, <https://www.ssa.gov/policy/docs/ssb/v46n7/v46n7p3.pdf> (hereinafter cited as "Svahn and Ross 1983"). Taxable payroll is the weighted sum of taxable wages and taxable self-employment income. When this sum is multiplied by the OASDI program payroll tax rate, it results in the total amount of payroll taxes (The 2025 Annual Report, p. 257).

<sup>37</sup>The 2025 Annual Report, p. 25.

<sup>38</sup>The COLA reduction would eliminate 27% of the financial shortfall whereas the increase in taxable maximum would eliminate about 22% of the financial shortfall. The combination of the two, an elimination of about 49% of the financial shortfall, would not include any interactive effects between the two provisions (see <https://www.ssa.gov/OACT/solvency/provisions/index.html>).

date of asset reserve depletion while providing for a higher percentage of payable benefits at the point of depletion.

## Nature

Social Security legislation and reform could be initiated and developed in various ways. In most Congresses since the 1983 amendments, lawmakers have introduced Social Security solvency-related legislation that would eliminate or delay the projected financial shortfall. Unsurprisingly, given the size and impact of Social Security, solvency has also been the subject of numerous committee hearings in both chambers.

Solvency-related reform efforts have also been championed by presidents who established national commissions to address Social Security issues. Some commissions have focused solely on Social Security financing matters while others have focused on government-wide deficit reduction. The Social Security Amendments of 1983, the last major reforms to the program, were aided by the efforts of a presidential commission. However, as discussed below, Congress has not acted upon recommendations of a presidential commission since 1983.

## Past Efforts to Eliminate the Shortfall

When evaluating the current prospects for congressional action on Social Security, people often look to the circumstances and events that led to the passage of the Social Security Amendments of 1983, which was the last time Congress made major changes to the program. It can be informative to understand the role of the 1981-1983 National Commission on Social Security Reform in the development of the 1983 amendments. Understanding the commission's efforts can shed light on one approach that was used in the past to reach consensus on a broad legislative package designed to address the system's financial imbalance.

### National Commission on Social Security Reform (Greenspan Commission)

In 1981, President Ronald Reagan established the National Commission on Social Security Reform (commonly referred to as the Greenspan Commission) by executive order. The formation of the 15-member commission was precipitated by concern over the Social Security program's short-term financing crisis, caused in large part by high inflation and lower than expected wages.<sup>39</sup> The 1982 Annual Report projected that in the absence of legislative changes the OASI trust fund would become insolvent by July 1983.<sup>40</sup>

In January 1983, the Greenspan Commission submitted its report to the Administration and Congress on recommendations to improve the short- and long-range financial condition of Social Security.<sup>41</sup> The commission's final recommendations followed the principle of balancing tax increases with benefit reductions. The commission also recommended unanimously that Congress not alter the fundamental structure of the Social Security program or undermine its fundamental principles in its deliberations on

---

<sup>39</sup> Five were selected by President Reagan, five were selected by Senate Majority Leader Howard Baker (in consultation with the minority leader), and five were selected by House Speaker Tip O'Neill (in consultation with the minority leader). Each was restricted from selecting more than three members from his own political party.

<sup>40</sup> The 1982 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, April 1, 1982, p. 2, at <https://www.ssa.gov/OACT/TR/historical/1982TR.pdf>.

<sup>41</sup> *Report of the National Commission on Social Security Reform*, January 1983, <http://www.ssa.gov/history/reports/gspan.html>.

financing proposals.<sup>42</sup> Key recommendations, roughly balanced between revenue increases and benefit reductions, were to:

- make Social Security coverage mandatory for newly hired federal civilian employees and employees of nonprofit organizations;
- prohibit state and local governments from terminating Social Security coverage; delay the annual 1983 COLA for six months;
- make up to one-half of Social Security benefits subject to federal income taxes for certain beneficiaries and credit the revenues to the Social Security trust funds;<sup>43</sup>
- establish a “windfall elimination provision” to reduce Social Security benefits for workers who also receive pensions from employment that was not covered by Social Security;<sup>44</sup>
- increase the Social Security payroll tax rate for self-employed workers, making it equal to the combined employer/employee payroll tax rate;
- accelerate scheduled increases in the Social Security payroll tax rate; and
- authorize interfund borrowing by the Social Security trust funds from the Medicare HI trust fund for 1983-1987.

The commission’s full package of recommendations was estimated to address Social Security’s projected short-term financing deficit as well as about *two-thirds* of its projected long-range actuarial deficit. However, the commission could not agree on recommendations to address the other *one-third* of the projected long-range actuarial deficit, deferring to lawmakers to come up with proposals to do so. After the commission released its final report, President Ronald Reagan and Speaker of the House Tip O’Neil—and other members of House and Senate leadership—endorsed the report.<sup>45</sup> All provisions suggested in the commission’s final report were included in legislation that eventually became law.<sup>46</sup>

The House-passed version of the bill included a provision to gradually increase the full retirement age from 65 to 67 (H.R. 1900, 98<sup>th</sup> Congress).<sup>47</sup> The Senate-passed version of the bill, adopted long-term financing measures along the lines of the recommendations of the Greenspan Commission and included provisions to address the remaining long-range actuarial deficit by, among other things, gradually increasing the full retirement age from 65 to 66 beginning in 2015 and gradually reducing initial benefit levels by about 5% over the period 2000-2007 (S. 1, 98<sup>th</sup> Congress).<sup>48</sup>

In conference, the conferees agreed to the House provision to address the remaining projected long-range actuarial deficit solely by gradually raising the full retirement age by two years from 65 to 67. Other provisions that were not part of the commission’s final report include: “fail-safe” financing mechanisms; provisions affecting dependents and survivors; and provisions with relatively small impacts on revenues or expenditures, including limitations on Social Security benefit payments to certain noncitizens residing

---

<sup>42</sup> Ibid., ch. 2. At the time, the system’s projected long-range actuarial deficit was equal to 1.80% of taxable payroll. Estimates showed that the consensus package would eliminate two-thirds of the projected funding shortfall, an amount equal to about 1.22% of taxable payroll.

<sup>43</sup> For more information, see CRS Report RL32552, *Social Security: Taxation of Benefits*.

<sup>44</sup> For more information, see CRS Report 98-35, *Social Security: The Windfall Elimination Provision (WEP)*. The WEP provision was later repealed as part of the Social Security Fairness Act of 2023 (P.L. 118-273), see CRS Report RL30920, *Social Security: Major Decisions in the House and Senate Since 1935*

<sup>45</sup> Svahn and Ross 1983, p. 7.

<sup>46</sup> P.L. 98-21.

<sup>47</sup> Svahn and Ross 1983, p. 16.

<sup>48</sup> Svahn and Ross 1983, p. 18.

outside the United States and convicted felons, expanded use of death certificates in verifying benefit eligibility, and others.<sup>49</sup> Also included in the 1983 amendments were provisions to eliminate remaining gender-based distinctions and modify the Government Pension Offset, which reduced Social Security spousal and survivor benefits for people who also received pensions from non-covered employment.<sup>50</sup> With their inclusion in the 1983 amendments, Social Security program rules have been gender-neutral.

The 1983 legislation was seen as solving the short-term and medium-term financing issues that had pressured Social Security for the prior 10-year period. After the 1983 legislation, the program's projected cost and income rates were relatively close over the long-term. However, in the ensuing years the program has moved farther out of actuarial balance.

### Effectiveness of the Greenspan Commission

By the last formal meeting on December 10, 1982, the commission had failed to develop consensus recommendations. The impasse was broken when a smaller group of commission members and White House officials began to meet privately in December 1982. In the end, the recommendations in the commission's final report were projected to resolve two-thirds of Social Security's projected long-range funding shortfall, leaving Congress to resolve the rest. Robert Ball, a commission member and former Social Security Commissioner, stated,

Nothing, however, should obscure the fact that the National Commission on Social Security Reform was not an example of a successful bipartisan commission. The commission itself stalled—essentially deadlocked, despite continuing to talk—after reaching agreement on the size of the problem that needed to be addressed.... A commission is no substitute for principled commitment.<sup>51</sup>

Robert Ball credits the success of the extraordinary negotiations in January 1983 to several factors: Alan Greenspan's "low-key, completely fair handling of his chairmanship;" the fact that "the key people in the final negotiations fortunately were the least ideological and most flexible of all the people involved since the inception of the commission;" "negotiations by proxy" whereby President Reagan and House Speaker O'Neill were always kept current but never committed themselves publicly until the last day of negotiations; and the threat of imminent insolvency of the Social Security system.<sup>52</sup>

## Bipartisan Commission on Entitlement and Tax Reform

The Bipartisan Commission on Entitlement and Tax Reform, a 32-member panel appointed by President Clinton, was asked to examine ways to constrain the growth of Federal entitlement programs and to reform the tax system.<sup>53</sup> Led by Senators Robert Kerrey and John Danforth, the panel was composed of 22 Members of Congress and 10 people from the public at large.<sup>54</sup> The Commission issued an interim report in August 1994 outlining major concerns about the future growth of entitlements. On December 9,

<sup>49</sup> At passage, the 1983 amendments included two provisions related to the Social Security COLA: (1) a 6-month delay in the 1983 COLA and a shift of subsequent COLAs to a calendar year basis, and (2) a trust fund stabilizer provision.

<sup>50</sup> Provisions to eliminate remaining gender-based distinctions had been passed by the House in 1977 but were not included in the final version of the Social Security Amendments of 1977. The Greenspan Commission did not include these provisions in their final report. With their inclusion in the 1983 amendments, Social Security program rules have been gender-neutral. The Government Pension Offset provision was later repealed as part of the Social Security Fairness Act of 2023 (P.L. 118-273), see CRS Report RL30920, *Social Security: Major Decisions in the House and Senate Since 1935*.

<sup>51</sup> There are several versions of how a small group of negotiators was formed. This version is taken from Robert M. Ball, *The Greenspan Commission: What Really Happened* (New York: The Century Foundation Press, 2010), p. 70.

<sup>52</sup> *Ibid.*, p. 69.

<sup>53</sup> Executive Order 12878, "Bipartisan Commission on Entitlement and Tax Reform," [https://www.archives.gov/files/records-mgmt/rcs/schedules/independent-agencies/rg-0220/n1-220-95-006\\_sf115.pdf](https://www.archives.gov/files/records-mgmt/rcs/schedules/independent-agencies/rg-0220/n1-220-95-006_sf115.pdf). The commission is sometimes referred to as the *Kerrey-Danforth Commission*.

<sup>54</sup> As originally announced, the Commission was to be composed of 30 members appointed by the President, 20 from Congress with equal representation from both chambers and both parties and 10 from either the public or private sectors. The commission was later expanded to 32.

1994, the chairmen proposed a package of options to address the issue, including measures to: gradually raise the age for full Social Security benefits to 70, establish mandatory personal savings plans using part of the current payroll tax, means test Medicare and raise its premiums and deductibles, alter congressional and civil service pensions, and other changes. The Commission held its final meeting on December 14, 1994, but was unable to reach a consensus on specific options. Instead, it agreed to advise the President and Congress that a 30-year planning perspective is needed in fiscal policymaking to fully recognize the financial demands of entitlement programs that will emerge from the aging of the baby boomers and that laws need to be changed today to balance future entitlement promises with available funds. The chairmen's proposals and those of other commission members accompanied the final report, issued in late January 1995.<sup>55</sup>

## President's Commission to Strengthen Social Security

In May 2001, President George W. Bush established the President's Commission to Strengthen Social Security.<sup>56</sup> The 16-member commission appointed by the President was directed to make recommendations on ways to “modernize and restore fiscal soundness to the Social Security system” in accordance with six guiding principles, one of which mandated the creation of personal retirement accounts.<sup>57</sup> On December 21, 2001, the Commission issued a final report—*Strengthening Social Security and Creating Personal Wealth for All Americans*—that included three alternative plans for reforming Social Security.<sup>58</sup> Under all three plans, workers could choose to invest in personal retirement accounts, and their traditional Social Security benefit would be reduced by some amount. The first plan would make no other changes to the program. The second plan would slow the growth of Social Security through one major provision that would index initial benefits to prices rather than wages. The third plan would slow future program growth through a variety of measures. To mitigate the effects of benefit reductions, the latter two plans would guarantee a minimum benefit and enhance benefits for widow(er)s. There was no congressional action on any of the three plans developed by the commission.

## President's Commission on Fiscal Responsibility and Reform

In February 2010, President Barack Obama established the National Commission on Fiscal Responsibility and Reform.<sup>59</sup> The 18-member commission was composed of: (1) six members appointed by President

---

<sup>55</sup> The final report, and the list of reform proposals, can be seen at <https://www.ssa.gov/history/reports/KerreyDanforth/KerreyDanforth.htm>.

<sup>56</sup> Executive Order 13210, “President's Commission to Strengthen Social Security,” 3 C.F.R. §13210, <https://www.govinfo.gov/app/details/CFR-2002-title3-vol1/CFR-2002-title3-vol1-eo13210>.

<sup>57</sup> The 16-member commission consisted of eight Republicans and eight Democrats, with a Senator from each party serving as co-chair.

<sup>58</sup> President's Commission to Strengthen Social Security, *Strengthening Social Security and Creating Personal Wealth for All Americans*, December 2001, [https://www.ssa.gov/history/reports/pcsss/Final\\_report.pdf](https://www.ssa.gov/history/reports/pcsss/Final_report.pdf).

<sup>59</sup> *Executive Order 13531, National Commission on Fiscal Responsibility and Reform*, President Barack Obama, February 18, 2010, at <https://www.federalregister.gov/documents/2010/02/23/2010-3725/national-commission-on-fiscal-responsibility-and-reform>.

Obama (including the two co-chairs); (2) six Senators—three appointed by the Senate Majority Leader and three appointed by the Senate Minority Leader; and (3) six Representatives—three appointed by the Speaker of the House and three appointed by the House Minority Leader. The commission (commonly known as the Fiscal Commission or the Simpson-Bowles Commission after co-chairs Alan Simpson and Erskine Bowles) was charged with “identifying policies to improve the fiscal situation in the medium term and to achieve fiscal sustainability over the long run.” In addition, the commission was directed to “propose recommendations that meaningfully improve the long-run fiscal outlook, including changes to address the growth of entitlement spending and the gap between the projected revenues and expenditures of the Federal Government.”

On December 1, 2010, the commission issued its final report, *The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform*.<sup>60</sup> The commission made a number of recommendations with respect to Social Security benefits and tax revenues. The Social Security recommendations included revenue-increasing and cost-reducing measures that would have: increased the progressivity of benefits, indexed the full retirement age to longevity, increased benefits for older beneficiaries, gradually increased the taxable maximum to cover 90% of earnings, decreased COLAs, covered newly hired state and local government workers, among other provisions. There was no congressional action on the Social Security component of the plan developed by the commission.

---

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS’s institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.

---

<sup>60</sup> The National Commission On Fiscal Responsibility And Reform, *The Moment Of Truth: Report of the National Commission on Fiscal Responsibility and Reform*, December 2010, [https://www.ssa.gov/history/reports/ObamaFiscal/TheMomentofTruth12\\_1\\_2010.pdf](https://www.ssa.gov/history/reports/ObamaFiscal/TheMomentofTruth12_1_2010.pdf).