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HOUSE OF REPRESENTATIVES

REPORT
105–738

PROTECT SOCIAL SECURITY ACCOUNT

SEPTEMBER 23, 1998.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ARCHER, from the Committee on Ways and Means, submitted the following

REPORT

together with

DISSENTING VIEWS

[To accompany H.R. 4578]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 4578) to amend the Social Security Act to establish the Protect Social Security Account into which the Secretary of the Treasury shall deposit budget surpluses until a reform measure is enacted to ensure the long-term solvency of the OASDI trust funds, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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59–006

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. ESTABLISHMENT OF SPECIAL RESERVE ACCOUNT.

Section 201 of the Social Security Act is amended by adding at the end the following new subsection:

"(n)(1) There is established within the Treasury a special reserve account to be known as the 'Protect Social Security Account' (hereinafter in this subsection referred to as the 'account'). The account shall be used to save budget surpluses until a reform measure is enacted to ensure the long-term solvency of the OASDI trust funds.

"(2) The Secretary of the Treasury shall pay into the account annually at the end of each fiscal year during the fiscal-year period beginning on October 1, 1997, and ending on September 30, 2008, amounts totalling, in the aggregate, 90 percent of the projected surplus, if any, in the total budget of the United States Government for that fiscal-year period.

"(3) For purposes of determining budget surpluses under paragraph (2), within 10 days after the date of enactment of this subsection, the Secretary of the Treasury, in consultation with the Director of the Office of Management and Budget, shall project the budget surplus, if any, for the total budget of the United States Government for the fiscal-year period beginning on October 1, 1997, and ending on September 30, 2008.

"(4) The Secretary of the Treasury shall invest the funds held in the account pending enactment of the reform measure referred to in paragraph (1). The purposes for which obligations of the United States may be issued under chapter 31 of title 31, United States Code, are hereby extended to authorize, in the manner provided in subsection (d), the issuance at par of public-debt obligations for purchase for the account. The interest on, and the proceeds from redemption of, any obligations held in the account shall be credited to and form a part of the account.

"(5) As used in this subsection, the term 'total budget of the United States Government' means all spending and receipt accounts of the United States Government that are designated as on-budget or off-budget accounts.".

SEC. 2. EFFECTIVE DATE.

The amendment made by section 1 shall apply to fiscal years beginning on or after October 1, 1997.

I. INTRODUCTION

A. Purpose and Summary

The bill to establish the "Protect Social Security Account" would reserve ninety percent of the anticipated $1.6 trillion budget surplus into a special account. The $1.4 trillion would be held until a measure is enacted to ensure the long term solvency of the Social Security system.

B. Background and Need for Legislation

For the first time since 1969, the federal government will end the current fiscal year with a budget surplus of $63 billion. Repeated and growing surpluses are now estimated for the coming decade by both the Congressional Budget Office and the Administration. These cumulative surpluses are forecast to total $1.6 trillion through fiscal year 2008 and are due to higher income tax payments and low inflation. According to the Congressional Budget Office's latest estimates, income tax revenues are up by $500 billion, corporate income tax revenues are up by $100 billion and government spending is down by $700 billion.

While the overall fiscal situation is optimistic, the long-term financial position of the Social Security program is not. The latest report from the Board of Trustees of the Social Security Trust Funds indicates insufficient cash receipts for expected outlays to occur in 2013, creating a fiscal imbalance in the total budget. Money generated through converting the government bonds held by the Trust Funds will cover expenses, but these funds will have to be raised by borrowing in the debt markets or altering tax and spending policies to create surplus receipts elsewhere in the budget. In 2032, the fund will be drained of government bonds and no longer have either the authority or resources to pay promised current law benefits.

Problems and possible solutions to the insolvency of Social Security were investigated in a series of eleven hearings entitled "The Future of Social Security for this Generation and the Next" by the Subcommittee on Social Security during 1997 and 1998. Some solvency proposals used all or part of the estimated budget surpluses to finance Social Security reform. President Clinton, in his State of the Union address expressed his commitment to save Social Security—reserving one hundred percent of future budget surpluses until necessary measures have been taken to strengthen the Social Security system.

Since the start of fiscal year 1998, the surplus forecast for fiscal years 1998–2008 has grown from a cumulative $680 billion to $1.6 trillion by the Congressional Budget Office revised estimates. In response to this, several members of Congress have proposed mechanisms to save all or a portion of these growing amounts for Social Security.

H.R. 4578, a bill to establish the "Protect Social Security Account" addresses the significant economic and fiscal challenges that lie just over the budget horizon by reserving nearly all (ninety percent) of the budget surplus in the coming decade until a solution to Social Security is enacted. The bill creates a new account into which the Secretary of the Treasury must deposit the unified budget surplus annually beginning in fiscal year 1998 and continuing until fiscal year 2008. In this manner, the growing surpluses will be clearly identified as resources available for preservation and solvency of the Social Security system.

C. Legislative History

Since March of 1997, the Subcommittee on Social Security has held a series of eleven hearings, including testimony from eighty-eight witnesses, addressing the long-range insolvency of the Social Security system under present law and options for reform. Witnesses included: Members of Congress, the Commissioner of Social Security, representatives from the 1994–1996 Advisory Council on Social Security, members of the Social Security Board of Trustees, representatives from the General Accounting Office, representatives from the Congressional Research Service, economists, social insurance policy experts, academics, representatives from business and labor groups, investment and financial experts, representatives from State and local government groups, advocates for people affected by proposed changes to the system, experts on social insurance programs in other countries and public opinion experts.

On March 5, 1998, Mr. Bunning introduced H.R. 3351, a bill to establish a "Protect Social Security Account" in the Treasury into which would be deposited one hundred percent of the unified budget surplus until such time as a solution to Social Security's long-term problem is enacted. On September 17, 1998, Mr. Rangel introduced H.R. 3207, a bill to establish a "Save Social Security First Reserve Fund" in the Treasury into which would be deposited one hundred percent of the Social Security surplus until such time as a solution to Social Security's long-term problem is enacted. On September 16, 1998, Mr. Archer introduced H.R. 4578, which would establish the "Protect Social Security Account" in the Treasury into which would be deposited ninety percent of the unified budget surplus until such time as a solution to Social Security's long-term insolvency is enacted.

On September 17, 1998, the Full Committee ordered favorably reported, H.R. 4578, as amended, a bill to establish the "Protect Social Security Account," by a voice vote with a quorum present.

II. EXPLANATION OF PROVISION

A. Section 1. Establishment of Special Reserve Account

Current law

The unified budget surplus represents the receipts and outlays of both on and off-budget activities. Budgetary surpluses, if not otherwise utilized for increased spending or tax reductions, automatically retire the publicly-held debt as it matures and surplus receipts become the means of financing government activities. The Congressional Budget Office estimates that the fiscal year 1998–2008 unified budget surplus will reach $1.6 trillion.

Explanation of provision

This provision would create a new Treasury account, the "Protect Social Security Account" into which would be deposited a portion of the unified budget surplus beginning in fiscal year 1998. At the end of each fiscal year, amounts would be paid into the account by the Secretary of the Treasury so that over the FY 1998–2008 period, ninety percent of the surplus ($1.6 trillion according to current Congressional Budget Office estimates), would be deposited in such account. Prior to the first deposit, the Secretary of the Treasury in conjunction with the Office of Management and Budget would estimate the budget surplus for the period.

Payments to the account are made in anticipation of legislation correcting the long-term insolvency of the Social Security system. Deposits to the "Protect Social Security Account" would be made in the same form of federal securities as deposits into the Social Security Trust Funds (non-marketable securities).

Reason for change

Congress has adopted long-term, progressive fiscal policies that have brought the Federal budget into balance for the first time in almost thirty years and a $1.6 trillion surplus is estimated for the next 10 years. The Social Security program, however, faces looming insolvency and instability in the 21st century. The approaching retirement of the Baby Boom generation will result in the Social Security program spending more than its annual Federal Insurance Contributions Act (FICA) tax income beginning in 2013. By 2032 the Social Security Trust Funds will be fully depleted and the system will be able to honor only seventy-five percent of current law benefit commitments.

Social Security programs provide benefits to forty-four million Americans, including more than twenty-seven million retirees, more than 4.5 million people with disabilities, and close to 2 million surviving children, and is essential to the dignity and security of the Nation's elderly, disabled, and their families. Prompt action is necessary to restore Americans' confidence that their retirement benefits will be protected.

The Federal budget surplus should be reserved until a solution is reached to preserve, strengthen, and protect the retirement income security of all Americans through the creation of a fair and modern Social Security program for the twenty-first century that ensures equal treatment across and within generations to all Americans; provides a continuous benefit safety net for workers, their survivors, and individuals with disabilities; and protects benefits for current retirees and those nearing retirement.

Effective date

This provision applies to fiscal years beginning on or after October 1, 1997.

III. VOTES OF THE COMMITTEE

In compliance with clause 2(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statements are made concerning the votes of the Committee on Ways and Means in its consideration of the bill H.R. 4578.

MOTION TO REPORT THE BILL

The bill, H.R. 4578, as amended, was ordered favorably reported on September 17, 1998, by voice vote with a quorum being present.

VOTES ON AMENDMENTS

A rollcall vote was conducted on the following amendment to the Chairman's amendment in the nature of a substitute.

An amendment by Mr. Rangel to reserve the entire amount of the Social Security surplus by transferring the annual Social Security surplus to the Federal Reserve Bank of New York, was defeated by a rollcall vote of 15 yeas to 22 nays. The vote was as follows:

Representatives	Yea	Nay	Present	Representatives	Yea	Nay	Present
Mr. Archer		X		Mr. Rangel	X		
Mr. Crane		X		Mr. Stark	X		
Mr. Thomas		X		Mr. Matsui	X		
Mr. Shaw		X		Mrs. Kennelly			
Mrs. Johnson		X		Mr. Coyne	X		
Mr. Bunning		X		Mr. Levin	X		
Mr. Houghton		X		Mr. Cardin	X		
Mr. Herger		X		Mr. McDermott	X		
Mr. McCrery		X		Mr. Kleczka	X		

Representatives	Yea	Nay	Present	Representatives	Yea	Nay	Present
Mr. Camp	....	X	....	Mr. Lewis	X	....	....
Mr. Ramstad	....	X	....	Mr. Neal	X	....	....
Mr. Nussle	....	X	....	Mr. McNulty	X	....	....
Mr. Johnson	....	X	....	Mr. Jefferson	X	....	....
Ms. Dunn	....	X	....	Mr. Tanner	X	....	....
Mr. Collins	....	X	....	Mr. Becerra	X	....	....
Mr. Portman	....	X	....	Mrs. Thurman	X	....	....
Mr. English	....	X	....				
Mr. Ensign	....	....	....				
Mr. Christensen	....	X	....				
Mr. Watkins	....	X	....				
Mr. Hayworth	....	X	....				
Mr. Weller	....	X	....				
Mr. Hulshof	....	X	....				

IV. BUDGET EFFECTS OF THE BILL

A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the estimated budget effects of H.R. 4578, as reported by the Committee:

The Committee agrees with the estimate prepared by the Congressional Budget Office (CBO) which is included below.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives, the Committee states the Committee bill results in no change in budget authority for direct spending programs relative to current law, and no new or increased tax expenditures.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(l)(3)(C) of rule XI of the Rules of the House of Representatives requiring a cost estimate prepared by the Congressional Budget Office (CBO), the Committee advises that the CBO has submitted the following statement on H.R. 4578, as reported.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 22, 1998.

Hon. BILL ARCHER,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 4578, an Act to Establish the Protect Social Security Account.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is James Horney.

Sincerely,

JUNE E. O'NEILL, *Director.*

Enclosure.

H.R. 4578—An Act to Establish the Protect Social Security Account

H.R. 4578 would establish an account within the Treasury called the "Protect Social Security Account." The bill would require the Secretary of the Treasury to make annual payments into the account during the fiscal year 1998–2008 period that in aggregate equal 90 percent of the projected total budget surplus for that period. Those amounts would be invested in federal securities, and interest on those securities would be credited to the account. These securities presumably would be included in federal debt subject to the statutory limit.

The transactions authorized H.R. 4578 would be purely intragovernmental and would not affect aggregate federal outlays or revenues. They also would not affect outlays or income of the Social Security trust funds. Therefore, pay-as-you-go procedures would not apply to the legislation. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact is James Horney. This estimate was approved by Paul N. Van de Water, Assistant Director for Budget Analysis.

V. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. Committee Oversight Findings and Recommendations

In compliance with clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports that the need for legislation was confirmed through its ongoing oversight of the Social Security Administration and the Social Security programs.

B. Summary of Findings and Recommendations of the Government Reform and Oversight Committee

In compliance with clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee states that no oversight findings and recommendations have been submitted to this Committee by the Committee on Government Reform and Oversight with respect to the provisions contained in this bill.

C. Constitutional Authority Statement

With respect to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, relating to Constitutional Authority, the Committee states that the Committee's action in reporting the bill is derived from Article I of the Constitution, Section 8 ("The Congress shall have power to lay and collect taxes, duties, imposts and excises, to pay the debts and to provide for * * * the general Welfare of the United States * * * ").

VI. CHANGES IN EXISTING LAW MADE BY THE BILL AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italic and existing law in which no change is proposed is shown in roman):

SECTION 201 OF THE SOCIAL SECURITY ACT

SEC. 201. (a) * * *

* * * * * * *

(n)(1) There is established within the Treasury a special reserve account to be known as the "Protect Social Security Account" (hereinafter in this subsection referred to as the "account"). The account shall be used to save budget surpluses until a reform measure is enacted to ensure the long-term solvency of the OASDI trust funds.

(2) The Secretary of the Treasury shall pay into the account annually at the end of each fiscal year during the fiscal year period beginning on October 1, 1997, and ending on September 30, 2008, amounts totalling, in the aggregate, 90 percent of the projected surplus, if any, in the total budget of the United States Government for that fiscal year period.

(3) For purposes of determining budget surpluses under paragraph (2), within 10 days after the date of enactment of this subsection, the Secretary of the Treasury, in consultation with the Director of the Office of Management and Budget, shall project the budget surplus, if any, for the total budget of the United States Government for the fiscal year period beginning on October 1, 1997, and ending on September 30, 2008.

(4) The Secretary of the Treasury shall invest the funds held in the account pending enactment of the reform measure referred to in paragraph (1). The purposes for which obligations of the United States may be issued under chapter 31 of title 31, United States Code, are hereby extended to authorize, in the manner provided in subsection (d), the issuance at par of public-debt obligations for purchase for the account. The interest on, and the proceeds from redemption of, any obligations held in the account shall be credited to and form a part of the account.

(5) As used in this subsection, the term "total budget of the United States Government" means all spending and receipt accounts of the United States Government that are designated as on-budget or off-budget accounts.

VII. DISSENTING VIEWS

Democrats believe that we should not spend any of the budget surplus until we have assured the long-range solvency of the Social Security system. The budget surplus that our Republican colleagues are spending belongs to Social Security.

That is because the general budget would not have a surplus if the government weren't using Social Security's surplus. Over the next 5 years, there is no projected budget surplus without counting Social Security's surplus. While the consolidated budget surplus appears to be $520 billion. In reality, all of the $520 billion—and more—is Social Security's. The Social Security surplus is projected to be $657 billion over that period. Thus, without Social Security, there would be a deficit of $137 billion in the next 5 years.

The Republicans merely would create a separate account in the government's budget and pretend they are saving Social Security. That is not enough. Their bill requires the Secretary of the Treasury to make bookkeeping entries, but it does not prevent the Congress from using the Social Security surplus for further tax cuts or further increases in spending. Congress could use the entire amount of the Social Security surplus next year for tax cuts or spending increases. There would be nothing in the Republican bill to prevent it from doing so.

We can do more to take Social Security off-budget so the budget surplus will not be spent until Social Security is solvent. We can put that money where it will be safe. The Democratic amendment would have taken the entire amount of the Social Security surplus in each fiscal year and transferred it to the Federal Reserve Bank of New York to be held in trust for Social Security.

This amendment would have removed the surplus from the control of Congress. Under the amendment, Congress would have to default on publicly traded debt instruments before it could default on its obligation to the Social Security system.

Moreover, the Democratic amendment would have locked up 100% of the Social Security surplus. The Republicans pretend to lock up only 90% of the budget surplus.

The Republicans admit up front that they are spending Social Security's money. They call their plan the "90–10 Plan." What they mean is that they are taking 10% of the total budget surplus—which is Social Security's surplus—and using it to fund tax cuts.

The Republicans are attempting to crack open America's nest egg. It is the Republican's unveiled effort to rob future Social Security beneficiaries of their retirement benefits.

CHARLES B. RANGEL.
WILLIAM J. COYNE.
BEN CARDIN.
JIM MCDERMOTT.
JOHN LEWIS.
JOHN TANNER.
ROBERT T. MATSUI.
PETE STARK.
RICHARD E. NEAL.
SANDER LEVIN.
KAREN L. THURMAN.
XAVIER BECERRA.
WILLIAM J. JEFFERSON.
JERRY KLECZKA.