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SOCIAL SECURITY: HOW IS IT TREATED IN DETERMINING THE FEDERAL BUDGET?

David Koitz
Specialist in Social Legislation
Education and Welfare Division

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ABSTRACT

Social Security and other programs that operate through Federal trust funds were prominently displayed as part of the Federal budget beginning in FY 1969. Controversy in recent years over the adoption of various social security cutbacks in formulating the budget, and continuing attempts to constrain their costs for deficit reduction purposes led to a number of legislative proposals to make it procedurally more difficult to alter the program for budgetary reasons. Measures enacted in 1983, 1985, and 1987 made significant changes in the way social security would be treated in formulating the budget.

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Social Security, Medicare and other Federal programs that operate through trust funds were first prominently displayed as components of the Federal budget in President Johnson's proposed budget for FY 1969. With passage of the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344), Congress adopted a similar "unified" approach for formulating its own version of the Federal budget.

Beginning in the late 1970s, social security and Medicare increasingly were being brought up in budget deliberations. Concern over their growing costs, the possible duplicative role they performed with other programs, and the financial problems plaguing their trust funds gave impetus to a number of measures to curtail certain benefits. A number of cutbacks were enacted in the early 1980s, but the emergence of enormous Federal budget deficits continued the pressure to find possible ways to curb social security expenditures. 1/ Opposing concerns about how repeated attempts to trim benefits were eroding the public's confidence in the program spurred on proposals to somehow keep social security out of budget totals and separate from the budget process itself. A number of measures eventually were enacted intended to make it procedurally more difficult for Congress to enact social security changes for budgetary reasons.

1/ Such measures were included in the Omnibus Budget Reconciliation Acts of 1980 and 1981 and the Social Security Amendments of 1983.

LEGISLATION ALTERING SOCIAL SECURITY'S TREATMENT IN THE BUDGET PROCESS

Section 346 of the Social Security Amendments of 1983 (P.L. 98-21, signed into law on April 20, 1983) required that beginning with the budget for FY 1993, income and expenditures for social security--Old Age, Survivors, and Disability Insurance (OASDI)--and the Hospital Insurance (HI) portion of the Medicare program would no longer be included in the totals of the budget formulated by the President and Congress and would be "exempt from any general budget limitation imposed by statute on expenditures . . . ." 2/ The Supplementary Medical Insurance (SMI) portion of Medicare, although remaining a component of the official budget figures, was to be more prominently displayed in the budget as a separate functional category.

The provision also required that for FYs 1985-1992 the Social Security and Medicare programs be displayed more prominently in both the President's and congressional budgets as separate major functional categories of the budget. Prior to that time social security was displayed in the functional category known as income security, which included other cash benefit programs such as civil service retirement and disability, railroad retirement, unemployment insurance, food stamps, and other public assistance programs. Medicare was displayed in the functional category for Federal health activities, which included such programs as Medicaid, health block grants to the States, biomedical research (NIH programs), and education and health training grants.

2/ This provision became section 710 of the Social Security Act.

Public Law 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (signed into law on December 12, 1985), 3/ included several measures further altering the budgetary treatment of social security:

(1) Section 261 accelerated the "off-budget" treatment of social security, as prescribed by the Social Security Amendments of 1983, to FY 1986 (from FY 1993). The measure did not accelerate the "off-budget" treatment of HI (i.e., HI would not be taken "off-budget" until FY 1993). The provision also stated that no legislation enacted after December 12, 1985, could authorize payments from the General Fund of the Treasury to the OASDI and HI trust funds and vice versa (with the exception of appropriation measures for which authority existed on or before that date). 4/

(2) However, for the purpose of setting out a schedule for eliminating Federal budget deficits by FY 1991, section 201 stipulated that the receipts and expenditures of the social security trust funds would be counted in measuring projected budget deficits. The provision required that the President's proposed budgets and congressional budget resolutions be formulated in a manner that adheres to the "Gramm-Rudman-Hollings" schedule for deficit reduction, and in this respect the budgets developed during this period would continue to be unified (by counting social security's income and outgo in determining Federal deficits). 5/

(3) Section 252 required the President to reduce (or sequester) Federal expenditures that would otherwise be authorized (using procedures prescribed in the Act), if projected unified Federal budget deficits exceeded certain levels

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3/ This was the original enabling legislation for the Gramm-Rudman-Hollings deficit reduction provisions.

4/ This latter item did not create procedural changes for the President or Congress. Basically, it was a statement that no new provisions should be enacted in the future that would authorize new forms of interfund "payments" between the Government's General Fund and the OASDI and HI trust funds.

5/ The Gramm-Rudman-Hollings deficit reduction procedures were altered, and the time period over which the budget deficits would be reduced to zero was extended until FY 1993 (instead of FY 1991), with enactment of P.L. 100-119, specifically by title I of that law, cited as the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987. Except for the 2-year extension in arriving at a balanced budget, the treatment of social security prescribed by section 201 of the 1985 act was not altered (i.e., for purposes of section 201, the budget would continue to be formulated on a unified basis through FY 1993).

(which also were specified in the Act). Social security's financial operations again would be counted in determining the magnitude of the budget deficit for this purpose. However, social security benefits (including cost-of-living adjustments) would be exempt from any reduction in expenditures that the President would be required to make. Social security administrative expenses would not be exempt. 6/

(4) Section 201 also added restrictions on bringing up social security changes in various stages of the congressional budget process. The provision made it out of order for either the House or Senate to take up changes in social security as part of a reconciliation bill or reconciliation resolution 7/ (including those proposed to achieve the deficit reduction goals required by this same law). 8/ Separate votes in each body--suspending or otherwise altering the rules under which the respective bodies operate--would be required to make consideration of any proposed social security changes permissible. In the Senate, this would require approval by three-fifths of its Members. 9/

6/ This treatment of social security was not altered by P.L. 100-119. See previous footnote.

7/ This is the stage of the budget process at which Congress ordinarily would make changes in program laws to bring overall spending and receipts in line with the budget targets set out in an earlier concurrent budget resolution. An earlier version of this paper had mistakenly stated that section 201 also made it out of order to bring up social security changes in the budget resolution stage of the process; section 201 referred only to reconciliation measures.

8/ Or conference reports thereon.

9/ The period in which the three-fifths rule would apply was extended through FY 1993 with enactment of P.L. 100-119 (under prior law, the three-fifths rule applied through FY 1991). An additional technical change was included in P.L. 100-119 altering Senate rules that previously had the effect of permitting waivers of the three-fifths requirement as it pertained to the social security and other potential "points of order" authorized in the 1974 and 1985 budget acts.

ADDITIONAL REFERENCES

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