CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Phillip L. Swagel, Director

November 8, 2024

Honorable Chuck Grassley
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Re: Long-Term Effects of H.R. 82, the Social Security Fairness Act of 2023

Dear Ranking Member Grassley:

You asked the Congressional Budget Office to provide information about how enacting H.R. 82, the Social Security Fairness Act of 2023, would affect the finances of the Old-Age and Survivors Insurance (OASI) Trust Fund and the finances of that fund combined with the Disability Insurance (DI) Trust Fund over the next 75 years, 2024 to 2098.[1]

H.R. 82 would eliminate the windfall elimination provision (WEP) and the government pension offset (GPO). The WEP reduces benefits for retired or disabled workers who have fewer than 30 years of significant earnings from employment covered by Social Security if they also receive pensions on the basis of noncovered employment. The GPO reduces the spousal or surviving spousal benefits of people who receive pensions on the basis of noncovered employment.[2]

CBO's analysis shows that the elimination of the WEP and GPO, as specified in H.R. 82, would permanently increase outlays for scheduled Social Security benefits—that is, the amounts that the program would pay if it continued to pay benefits as scheduled under current law, regardless of

[1] For information about CBO's projections of long-term Social Security finances under current law, see Congressional Budget Office, *CBO's 2024 Long-Term Projections for Social Security* (August 2024), www.cbo.gov/publication/60392.

[2] For additional information about the WEP and GPO and about CBO's estimate of the budgetary effects of H.R. 82 through 2034, see Congressional Budget Office, cost estimate for H.R. 82, the Social Security Fairness Act of 2023 (September 9, 2024), www.cbo.gov/publication/60690.

whether the program's two trust funds had sufficient balances to cover those payments. That increase in Social Security benefits would drive the program's spending even further above its revenues than it is already projected to be under current law.

CBO also estimated the effects of H.R. 82 on payable Social Security benefits. Payable benefits are the benefits that the program could provide if its outlays were limited to the amounts that could be funded by its annual revenues after the exhaustion of the trust fund balances.

Effects on OASI's Finances

Enacting H.R. 82 would increase the 75-year actuarial deficit for OASI from the 4.18 percent of taxable payroll that it is projected to be under current law to 4.29 percent, CBO estimates.[3] As a share of gross domestic product (GDP), the 75-year actuarial deficit would increase by 0.04 percentage points, from 1.42 percent to 1.46 percent. CBO estimates that the bill would increase outlays for OASI in each of the next 75 years by as much as 0.05 percent of GDP.[4]

If H.R. 82 was enacted, the balance of the OASI trust fund would, CBO projects, be exhausted roughly half a year earlier than it would be under current law. (The agency estimates that under current law, the balance of the OASI trust fund would be exhausted during fiscal year 2033.)

CBO's baseline budget projections reflect the assumption that the program will continue to pay benefits as scheduled under the provisions of the Social

[3] The actuarial balance is a common measure of the sustainability of a program that has a trust fund and a dedicated revenue source. It summarizes a trust fund's current balance and future annual streams of revenues and outlays as a single number. The actuarial balance equals the sum of the present value of a fund's projected income over a given period (typically 75 years for Social Security) and its current balance, minus the sum of the present value of its projected outlays and a year's worth of benefits at the end of the period. For Social Security, the actuarial balance is often expressed as a percentage of the present value of gross domestic product or of taxable payroll (that is, total earnings that are subject to the Social Security payroll tax) over 75 years. When an actuarial balance is negative, it is called an actuarial deficit. CBO's estimate of the actuarial deficit under the bill implies that the federal government could pay the OASI benefits prescribed by current law through 2098 and have trust fund balances equal to one year of OASI benefits at the end of that period if the payroll tax rate was raised immediately and permanently by 4.29 percentage points (or 40 percent), from the current rate of 10.6 percent of taxable earnings to 14.89 percent. Other ways to maintain the necessary trust fund balances include reducing scheduled benefits by 26 percent (which would reduce the program's outlays by an amount equivalent to 4.29 percent of taxable payroll), combining tax increases with benefit reductions, or transferring money to the trust funds.

[4] For more details on the projected increase in annual program outlays measured as a percentage of GDP over the next 75 years, see the supplemental data posted along with this letter at www.cbo.gov/publication/60876#data.

Security Act, regardless of the balances in the Social Security trust funds. To show how the exhaustion of the trust funds' balances might affect benefits, CBO also projects Social Security benefits under the assumption that they would be limited to the amounts payable from the program's dedicated funding sources. Once the balances in the trust funds fell to zero, the Social Security Administration would no longer be able to pay full benefits when they were due (although beneficiaries would remain legally entitled to full benefits). Thereafter, annual outlays would be limited to annual revenues, and payments to beneficiaries would be reduced.[5]

The share of scheduled OASI benefits that would be payable following exhaustion of the balance of the OASI trust fund would be smaller under the bill than under current law because H.R. 82 would increase scheduled benefits, but total payable benefits would remain unchanged. Under the bill, CBO estimates that in fiscal year 2034, after the OASI trust fund balance was exhausted, 74.1 percent of total OASI benefits scheduled would be payable. That share is 0.6 percentage points less than the share of scheduled benefits that would be payable that year under current law.

Effects on OASI and DI's Finances If the Trust Funds Were Combined

More than 99 percent of the increase in Social Security outlays from H.R. 82 would come from increases in OASI benefits, CBO estimates, so the effects on Social Security's finances when the OASI and DI trust funds are considered together as one trust fund are only slightly larger than the estimated effects on OASI's finances alone. Although the OASI and DI trust funds are legally separate, in some of its analyses, CBO considers them as combined trust funds, known as the Old-Age, Survivors, and Disability Insurance (OASDI) trust funds.

The actuarial deficit of the combined OASDI trust funds would increase under H.R. 82, CBO estimates. Enacting the bill would raise the 75-year actuarial deficit from the 4.33 percent of taxable payroll it is projected to be under current law to 4.44 percent. As a share of GDP, the actuarial deficit would increase by 0.04 percentage points, from 1.47 percent to 1.51 percent. CBO estimates that enacting H.R. 82 would increase annual OASDI outlays above what they would be under current law by as much as 0.05 percent of GDP in each of the next 75 years.[6]

---

[5] For a discussion of scheduled benefits and payable benefits, see Congressional Budget Office, *CBO's 2024 Long-Term Projections for Social Security* (August 2024), Appendix A, www.cbo.gov/publication/60392.

[6] See the supplemental data posted along with this letter at www.cbo.gov/publication/60876#data.

If H.R. 82 was enacted, the balance of the combined OASDI trust funds would be exhausted roughly half a year earlier than it would be under current law, CBO estimates. (The balance of the combined OASDI trust funds is projected to be exhausted during fiscal year 2034 under current law.) CBO estimates that following the exhaustion of the combined trust fund balance under the bill, 77.8 percent of total scheduled benefits for OASDI would be payable—slightly less than the 78.3 percent that is projected to be payable under current law.

The estimates described in this letter are subject to significant uncertainty. In particular, the number of people who will be subject to the WEP or the GPO under current law over the next 75 years is uncertain.

I hope this information is helpful to you. Please contact me if you have any questions.

Sincerely,

Phillip L. Swagel
Director

cc: Honorable Sheldon Whitehouse
Chairman
Senate Committee on the Budget

Honorable Ron Wyden
Chairman
Senate Committee on Finance

Honorable Mike Crapo
Ranking Member
Senate Committee on Finance