Congressional Budget Office
Cost Estimate

September 9, 2024

At a Glance

H.R. 82, Social Security Fairness Act of 2023

As introduced in the House of Representatives on January 9, 2023

By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	0	98,340	195,650
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	98,340	195,650
Spending Subject to Appropriation (Outlays)	0	not estimated	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2035?	> $2.5 billion	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
		Contains intergovernmental mandate?	Excluded from UMRA
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2035?	No	Contains private-sector mandate?	Excluded from UMRA

The bill would

- Eliminate the Windfall Elimination Provision (WEP), which reduces Social Security benefits for certain retired and disabled workers who receive pensions for work that is not covered by the Social Security system
- Eliminate the Government Pension Offset (GPO), which reduces Social Security benefits for certain spouses and surviving spouses who receive pensions for work that is not covered by the Social Security system

Estimated budgetary effects would mainly stem from

- Paying larger Social Security benefits to people who are subject to the WEP and the GPO under current law
- Reducing benefits paid through the Supplemental Nutrition Assistance Program in response to the larger Social Security benefits paid to some people who receive benefits through both programs

Areas of significant uncertainty include

- Predicting how many people will be subject to the WEP and the GPO under current law
- Projecting the size of benefit reductions attributable to the WEP and the GPO under current law

Detailed estimate begins on the next page.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

Bill Summary

H.R. 82 would amend title II of the Social Security Act to eliminate the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). Those provisions reduce Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) benefits for people who also are eligible for benefits from certain other pension plans. The change would apply to benefits payable for January 2024 and later.

Estimated Federal Cost

The estimated budgetary effect of H.R. 82 is shown in Table 1. The costs of the legislation fall within budget functions 600 (income security) and 650 (Social Security).

Basis of Estimate

For this estimate, CBO assumes that H.R. 82 will be enacted near the beginning of fiscal year 2025. The bill would increase benefits payable for January 2024 and later, and CBO assumes that higher benefits owed for the months before enactment would be paid retroactively mostly in fiscal year 2025, with some paid in fiscal year 2026. After that, benefits would be paid in the fiscal year in which they are due. This estimate is based primarily on CBO's analysis of historical data on WEP and GPO recipients and on projections of the adjustments to their benefits under current law.

Background

The WEP reduces benefits for retired or disabled workers who have fewer than 30 years of employment covered by Social Security if they also receive pensions based on noncovered employment. The GPO reduces the spousal or surviving spousal benefits of people who receive pensions based on noncovered employment.

The benefit formula for determining Social Security payments uses a worker's lifetime earnings from work covered by the Social Security system.[1] That formula generally applies three factors—90 percent, 32 percent, and 15 percent—to three brackets of a worker's average indexed monthly earnings (AIME), a measure of career average earnings in covered employment. (The AIME excludes noncovered earnings.) The result of applying the benefit formula to the AIME is the worker's monthly benefit before adjustments, known as the primary insurance amount (PIA).

Because the outlays of the Social Security trust funds are off-budget, most of the bill's effects would be off-budget. In addition, CBO estimates that the increase in Social Security benefits specified by the bill would result in a decline in Supplemental Nutrition Assistance

1. For more information, see Congressional Budget Office, Social Security Policy Options, 2015 (December 2015), "Benefit Formula," p. 13, www.cbo.gov/publication/51011.

Program (SNAP) benefits paid to people who receive benefits through both programs; the reduction in SNAP payments would be on-budget.

Table 1.
Estimated Budgetary Effects of H.R. 82

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2029	2024-2034
						By Fiscal Year, Millions of Dollars							
						Increases or Decreases (-) in Direct Spending							
Eliminate the Windfall Elimination Provision (Off-budget)													
Estimated Budget Authority	0	13,980	10,730	9,350	9,480	9,590	9,660	9,670	9,660	9,640	9,570	53,130	101,330
Estimated Outlays	0	13,980	10,730	9,350	9,480	9,590	9,660	9,670	9,660	9,640	9,570	53,130	101,330
Eliminate the Government Pension Offset (Off-budget)													
Estimated Budget Authority	0	12,690	10,270	9,510	10,030	10,410	10,740	11,060	11,370	11,660	11,940	52,910	109,680
Estimated Outlays	0	12,690	10,270	9,510	10,030	10,410	10,740	11,060	11,370	11,660	11,940	52,910	109,680
Interaction Among Social Security Provisions (Off-budget)													
Estimated Budget Authority	0	-1,700	-1,330	-1,170	-1,210	-1,240	-1,270	-1,290	-1,310	-1,330	-1,350	-6,650	-13,200
Estimated Outlays	0	-1,700	-1,330	-1,170	-1,210	-1,240	-1,270	-1,290	-1,310	-1,330	-1,350	-6,650	-13,200
Total Off-Budget Direct Spending													
Estimated Budget Authority	0	24,970	19,670	17,690	18,300	18,760	19,130	19,440	19,720	19,970	20,160	99,390	197,810
Estimated Outlays	0	24,970	19,670	17,690	18,300	18,760	19,130	19,440	19,720	19,970	20,160	99,390	197,810
Supplemental Nutrition Assistance Program (On-budget)													
Estimated Budget Authority	0	-115	-235	-235	-235	-230	-230	-225	-220	-220	-215	-1,050	-2,160
Estimated Outlays	0	-115	-235	-235	-235	-230	-230	-225	-220	-220	-215	-1,050	-2,160
Total Changes in Direct Spending													
Estimated Budget Authority	0	24,855	19,435	17,455	18,065	18,530	18,900	19,215	19,500	19,750	19,945	98,340	195,650
Estimated Outlays	0	24,855	19,435	17,455	18,065	18,530	18,900	19,215	19,500	19,750	19,945	98,340	195,650

SNAP = Supplemental Nutrition Assistance Program.
The outlays of the Social Security trust funds are classified as off-budget. SNAP outlays are classified as on-budget.

Eliminate the Windfall Elimination Provision

The Social Security monthly benefit formula is designed so that the PIA replaces a greater share of covered earnings for retirees who had lower earnings than it does for people who had higher earnings. The current-law formula makes no distinction between workers who have low AIMEs because they have low lifetime earnings and those who have low AIMEs because they worked in noncovered employment for a portion of their career. The WEP is designed to remove the advantage of the benefit formula for people whose low AIME results from noncovered earnings.

For people whose pensions are based in part on noncovered work and who worked fewer than 30 years in the Social Security system, the WEP reduces the first factor of the AIME from 90 percent to an amount that ranges from 40 percent to 85 percent, depending on the number of years with substantial covered earnings. (The "substantial" threshold is indexed to average national earnings; in 2024, that amount is $31,275.) The reduction in Social Security benefits under the WEP is limited to half the amount of a pension that is based on noncovered earnings.

H.R. 82 would eliminate the WEP and raise the first factor to the standard 90 percent for all workers who are subject to the current-law WEP, thus increasing Social Security spending. According to CBO's analysis of historical data, the number of people newly receiving Social Security benefits and also subject to the WEP is declining, and we expect that trend to continue. Because of that trend, the cost of eliminating the WEP begins to decline toward the end of the 2024-2034 period. CBO used historical beneficiary data to calculate the average benefit reduction attributable to the WEP; projections of future reductions were based on that amount as adjusted for projected growth in benefits, including cost-of-living adjustments and growth in wages.

CBO estimates that eliminating the WEP would increase monthly benefits in December 2025 by $360, on average, for 2.1 million Social Security beneficiaries (about 3 percent of all Social Security beneficiaries); in December 2033, that increase would reach $460, on average, for 1.8 million beneficiaries.

In total, CBO estimates that repealing the WEP would increase off-budget direct spending by $101 billion over the 2024-2034 period.

Eliminate the Government Pension Offset

Under current law, the eligible spouse of a living retired or disabled worker is entitled to a monthly Social Security benefit that equals up to 50 percent of the worker's monthly benefit; a surviving spouse is entitled to the full amount. When spouses are eligible for benefits on the basis of their own covered earnings, their spousal benefit is reduced by the amount of the benefit that is calculated using his or her own earnings. (An individual's spousal benefit is reduced to zero if that person's own worker benefit is higher than the spousal benefit.)

Under current law, the GPO reduces spouses' or surviving spouses' Social Security benefits if they also receive a pension based on their own noncovered employment. That reduction is equal to two-thirds of the noncovered pension.

H.R. 82 would repeal the GPO, resulting in an increase in Social Security benefits paid to affected spouses and surviving spouses. CBO used beneficiary data to calculate the number of current beneficiaries subject to the GPO and the average reduction in benefits. Using historical growth rates, CBO projected the number of people who will be affected by the offset under current law. Under the bill, CBO expects some people in that category would newly apply for spousal or surviving spousal benefits, including those who might not apply under current law because the GPO would reduce or eliminate their Social Security benefits. Under H.R. 82, CBO estimates, an extra 70,000 people would receive spousal or surviving spousal benefits in December 2033.

CBO estimates that eliminating the GPO would increase monthly benefits in December 2025 by an average of $700 for 380,000 spouses and by an average of $1,190 for 390,000 surviving spouses; in December 2033, that increase would reach $860, on average, for 330,000 spouses and $1,520 for 480,000 surviving spouses. (About 1 percent of all Social Security beneficiaries would be affected by the change in December 2025.) We expect that the number of people affected by GPO will increase initially and then decline slightly toward the end of the 2024-2034 period; estimated costs continue to rise through that period because the increase in average benefits is greater than decrease in people affected by the GPO. Those estimates include people who would newly apply because of the elimination of the current-law GPO.

In total, CBO estimates, repealing the GPO would increase off-budget direct spending by $110 billion over the 2024-2034 period.

Interaction Among Social Security Provisions

The benefits of a small group of people are affected by both the WEP and the GPO. CBO expects that because of interactions between the two provisions, the total cost of repealing both provisions—$198 billion over the 2024-2034 period—would be $13 billion less than the sum of the costs of repealing each provision separately.

Supplemental Nutrition Assistance Program

H.R. 82 would increase Social Security income for some people who also receive SNAP benefits, which are based on a formula that accounts for Social Security income. Higher monthly Social Security benefits would lead to lower SNAP benefits for some recipients. CBO estimates that under H.R. 82, spending for SNAP benefits would decrease by $2 billion over the 2024-2034 period. Those savings would be on-budget.

Uncertainty

CBO's estimate for H.R. 82 is subject to uncertainty related to the number of people over the 2024-2034 period who under current law will be subject to the WEP or the GPO. CBO's projections are based on historical trends, but if the groups turn out to be larger or smaller than CBO expects, the costs of the bill could be higher or lower than CBO estimates.

Also uncertain is the extent to which the current-law WEP and GPO will reduce Social Security benefits in the future. CBO's projections of those amounts are based on historical data, but future growth will be driven by factors that are difficult to predict, including annual cost-of-living adjustments to Social Security benefits. If CBO's projections of those adjustments are too high or too low, the costs of the bill could be higher or lower than CBO estimates.

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures (on-budget costs) are shown in Table 2. Only the changes in SNAP outlays are on-budget and subject to pay-as-you-go procedures.

Table 2.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 82, Social Security Fairness Act of 2023, as introduced in the House of Representatives on January 9, 2023

	By Fiscal Year, Millions of Dollars												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2029	2024-2034
	Net Decrease in the On-Budget Deficit												
Pay-As-You-Go Effect	0	-115	-235	-235	-235	-230	-230	-225	-220	-220	-215	-1,050	-2,160

Enacting the bill also would increase off-budget spending for Social Security by almost $198 billion over the 2024-2034 period. Because that spending is classified as off-budget, those effects are not counted for pay-as-you-go purposes.

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 82 would not increase on-budget deficits in any of the four consecutive 10-year periods beginning in 2035.

Enacting the bill would increase off-budget spending by tens of billions of dollars in the years after 2034, but CBO has not completed a detailed estimate of those costs. In CBO's baseline projections, if the OASI and DI trust funds were combined, the balance of the combined fund would be exhausted in 2034. Based on the estimated effects of the bill through 2034, CBO expects that the bill would advance the exhaustion date for the combined trust funds by roughly a half a year.

Mandates

CBO has not reviewed H.R. 82 for intergovernmental or private-sector mandates. Section 4 of the Unfunded Mandates Reform Act excludes from the application of that act any legislative provisions that relate to the Old-Age and Survivors Insurance and Disability Insurance programs under title II of the Social Security Act. CBO has determined that H.R. 82 falls within that exclusion.

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