

A Balanced Budget Amendment Would Threaten Social Security

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Congress is currently considering proposals to amend the Constitution to mandate a balanced budget: a requirement that federal spending not exceed revenues in any fiscal year unless a supermajority (generally three-fifths) of members in each chamber of Congress agrees to additional spending. Even without the addition of more dangerous features such as a cap on total spending and a super-majority requirement for revenue increases,¹ a balanced budget requirement would threaten the economy and critical programs – including Social Security.²

Social Security is a self-financed social insurance program with a \$2.6 trillion Trust Fund.

Social Security is a social insurance program financed primarily by the payroll tax contributions of covered workers and their employers. The surplus contributions of workers and employers to Social Security between 1983 and 2010 are invested by the Social Security Trust Fund in interest-bearing U.S. Treasury bonds. These contributions built up a Trust Fund of \$2.6 trillion by the end of 2010 to help finance the baby boomers' retirement, and the Trust Fund is expected to grow to \$3.7 trillion by the end of 2022. The Social Security Board of Trustees estimates that with its dedicated revenues and reserves, Social Security can pay 100 percent of promised benefits until 2036 and 77 percent of benefits after that.³

Current budget rules treat the self-financing Social Security program as “off-budget,” and Social Security has been exempted from past budget enforcement rules.⁴ But these statutory rules would be superseded by the language of a constitutional amendment.

The broad language of proposed balanced budget amendments would treat Social Security revenues and benefits like other government revenues and spending.

Each of several current proposals in the House and Senate requires that “total outlays for any fiscal year shall not exceed total receipts for that fiscal year.” They define “total receipts” as “all [federal government] receipts...except those derived from borrowing,” and “total outlays” as “all [federal government] outlays...except those for repayment of debt principal.”⁵ Similar or identical language in earlier proposals consistently has been interpreted to encompass Social Security revenues and benefits.⁶

Social Security would not be protected from cuts under a balanced budget amendment.

Each of the current proposals requires all spending to be offset by tax revenues collected *in the same year*. If total government spending exceeded total revenue in any year, Social Security benefit payments would be included among the outlays that could be subject to cuts to reduce the deficit – even if the balance in the Social Security Trust Fund considered separately were more than sufficient to pay current benefits (as it is expected to be until 2036). In fact, the amendment would generally bar Social Security from drawing on its Trust Fund reserves to pay promised benefits unless the rest of the federal budget ran an offsetting surplus (or the House and Senate each garnered the supermajority necessary to permit deficit spending).⁷

In short, the Balanced Budget Amendment is a giant raid on the Social Security Trust Fund.

¹ For more information on current balanced budget amendment proposals, *see* Nat'l Women's Law Ctr., Current Proposals for a Balanced Budget Amendment Are More Extreme and Dangerous Than Earlier Versions (2011), http://www.nwlc.org/sites/default/files/pdfs/bba_comparison_fact_sheet_-_july_2011.pdf.

² Robert Greenstein & Richard Kogan, Ctr. on Budget & Policy Priorities, A Constitutional Balanced Budget Amendment Threatens Great Economic Damage 6 (2011), <http://www.cbpp.org/files/6-6-11bud2.pdf>.

³ Bd. of Trustees of the Fed. Old-Age & Survivors Ins. & Fed. Disability Trust Funds, 2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Trust Funds, H.R. Doc. No. 112-23, at 2 (2011), *available at* <http://www.ssa.gov/OACT/TR/2011/tr2011.pdf>.

⁴ *See generally* Dawn Nuschler, Cong. Research Serv., Social Security's Treatment Under the Federal Budget: A Summary (2002).

⁵ *See, e.g.*, H.J. Res. 1, 112th Cong. (2011) (introduced by Rep. Goodlatte (R-VA) Jan. 5, 2011; approved as amended by H. Comm. on the Judiciary June 15, 2011); H.J. Res 56, 112th Cong. (2011) (introduced by Rep. Walsh (R-IL) April 7, 2011); S.J. Res. 10, 112th Cong. (2011) (introduced by Sen. Hatch (R-UT) March 31, 2011). Another proposal in the Senate, S.J. Res. 4, requires that the "total amount of money expended by the United States in any fiscal year shall not exceed the total amount of revenue received by the United States during such fiscal year, except revenue received from the issuance of bonds, notes, or other obligations of the United States." It does not separately define "money" or "revenue." S.J. Res. 4, 112th Cong. (2011) (introduced by Sen. Shelby (R-AL) on Feb. 1, 2011).

⁶ *See, e.g.*, H.R. Rep. No. 104-3, at 1-2, 6 (1995); S. Rep. No. 105-3, at 14-16, 19 (1997). *See also* H.R. Rep. 112-117, at 13 (2011) (indicating Social Security not exempted in H.J. Res. 1); James V. Saturno, Cong. Research Serv., A Balanced Budget Constitutional Amendment: Background and Congressional Options 32-33 (2011).

⁷ Saturno, *supra* note 6; Greenstein & Kogan, *supra* note 2.