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Social Security Trust Funds

The [finances](#) of the two Social Security trust funds—one for Old Age and Survivors Insurance (OASI) and the other for Disability Insurance (DI) —worsened over the past year. The recession caused a drop in revenues from payroll taxes and may have encouraged some people to apply for benefits sooner than they otherwise would have. Further, as expected, more and more members of the baby boom generation have begun to collect benefits. As a result, CBO projects that revenues from payroll taxes credited to the trust funds will be \$12 billion lower in 2010 than in 2009, while benefit payments will be \$37 billion higher. This year, for the first time since the Social Security reforms of the early 1980s, benefit payments from the trust funds will exceed the trust funds' receipts from the public (which consist mostly of revenues from payroll taxes and exclude interest on Treasury securities held by the trust funds).

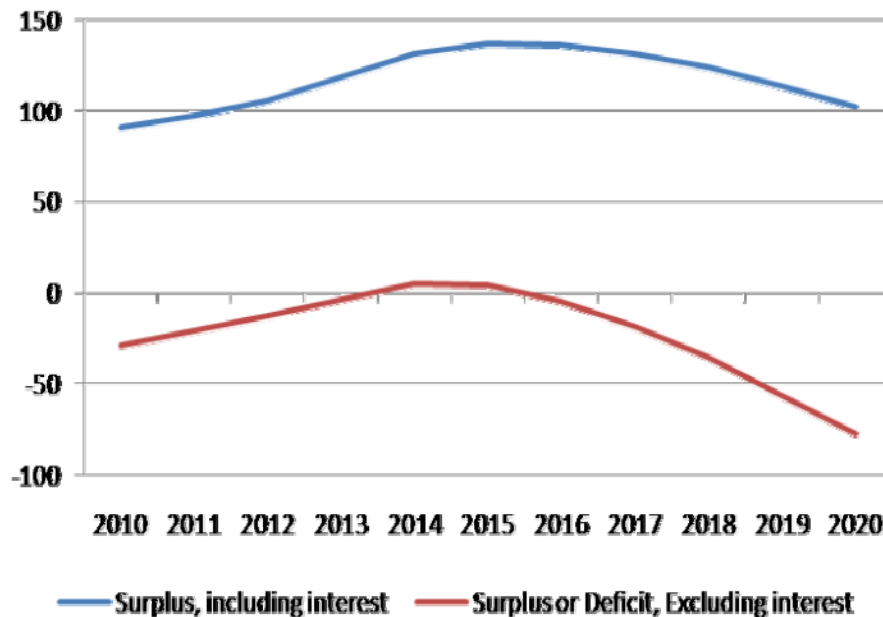
In the next decade, Social Security's benefit payments will exceed its receipts from the public in most years, according to CBO's estimates. For 2010, the shortfall of such receipts relative to benefit payments—called a “primary deficit” because it excludes interest—will be \$29 billion. The financial health of the trust funds will then improve temporarily as the economy recovers; the primary deficit will shrink every year through 2013, and small primary surpluses will re-emerge in 2014 and 2015. However, a longer-term decline in the trust funds' financial condition is inevitable under current law, because the retirement of the baby-boom generation will cause benefit payments to increase more than revenues. CBO anticipates that a primary deficit will return in 2016 and that deficit will reach \$77 billion in 2020. The OASI trust fund will begin to generate primary deficits in 2018, while the DI trust fund will experience primary deficits throughout the coming decade.

When the trust funds show a primary surplus (that is, their receipts from the public exceed their disbursements), that excess represents cash that is available to finance other government activities without requiring new government borrowing from the public. Similarly, when the trust funds record a primary deficit (that is, receipts from the public are less than their disbursements), that difference is a draw on the government's cash in that year. Such a shortfall has to be made up by running a surplus in the rest of the federal budget or by additional government borrowing in that year.

Counting interest that will be credited on their accumulated balances of Treasury securities, the two trust funds combined will still show an annual surplus this year, and for a number of years into the future. (Those interest payments are intragovernmental transactions; they do not represent income to the government and thus do not affect the unified budget deficit.) CBO projects that the combined annual surpluses of the two trust funds will rise from \$91 billion in 2010, peak at \$137 billion in 2015, and then fall to \$102 billion by 2020. The OASI trust fund will show surpluses in every year while the DI trust fund will realize deficits in every year of the 2010-2020 period.

The figure below shows the combined surpluses or deficits projected for the trust funds over the coming decade. The top (blue) line shows the surpluses counting interest credited to the funds; the bottom (red) line shows the deficits or surpluses not counting interest.

Total Surplus or Deficit of the Social Security Trust Funds (in billions)



The projected balance in the OASI trust fund continues to grow throughout the 10-year period, while the DI trust fund balance declines each year. CBO now anticipates that the DI trust fund will be exhausted in 2018, with available funds falling \$15 billion below projected expenditures in that year. Once balances are exhausted, the DI program would be unable to meet its obligations fully without a change in law. (For the purposes of the budget projections in CBO's Budget and Economic Outlook, DI benefit payments are projected presuming those benefits are paid in full and on time throughout the 2010-2020 period.) The OASI trust fund had a balance of \$2.3 trillion at the end of fiscal year 2009; CBO estimates that the OASI trust fund will continue to maintain a positive balance for more than 30 years.

The balances credited to the trust funds are a measure of the government's legal authority to pay Social Security benefits, but the resources to redeem government bonds in the trust funds and thereby pay for benefits in some future year will have to be generated from taxes, other government income, or government borrowing in that year.

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