

February 19, 1999

Honorable Frank R. Lautenberg
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Senator:

In your letter of February 18, you posed two questions concerning the effect of possible transfers from the general fund to the Social Security trust funds that were discussed in my February 10 letter to Senator Judd Gregg (attached).

Would the size of the total, or unified, budget surplus be changed by transferring an amount equal to 62 percent of the projected total surplus to the Social Security trust funds? While such intragovernmental transfers would change on-budget and off-budget surpluses, they would have no effect on the total budget surplus.

In the absence of any other policy change, would such a transfer alter the fact that running unified surpluses would reduce the outstanding obligations of the federal government as a whole, i.e., debt held by the public? Because such transfers have no effect on the total budget surplus or federal borrowing needs, they would have no effect on debt held by the public.

Sincerely,

Dan L. Crippen

cc: Honorable Pete V. Domenici
Chairman

Honorable John R. Kasich
Chairman, House Committee on the Budget

Honorable Judd Gregg

Identical letter sent to Honorable John M. Spratt, Jr.

February 10, 1999

Honorable Judd Gregg
United States Senate
Washington, D.C. 20510

Dear Senator:

In your letter of February 3, you posed two questions concerning possible transfers from the general fund to the Social Security trust funds.

If an amount equal to 62 percent of the projected total budget surplus were transferred to the Social Security trust funds each year (including any increase in interest payments to the trust funds), how would on-budget surpluses be affected? They would be eliminated. Specifically, under CBO's baseline projections, the transfers would total \$1,591 billion in 2000 through 2009, and cumulative on-budget surpluses of \$788 billion projected under current law for that period would turn into cumulative deficits of \$803 billion. CBO does not make detailed budget projections for years beyond 2009 and is unable to provide fifteen-year estimates.

If such transfers were limited to the on-budget surpluses that would occur under current law, how much would be transferred? CBO estimates such transfers would total \$795 billion through 2009, an amount equal to the cumulative projected on-budget surpluses in 2001 (the first year for which CBO projects an on-budget surplus) through 2009.

Sincerely,

Dan L. Crippen
Director