



Highlights of [GAO-07-213](#), a report to congressional committees

SOCIAL SECURITY REFORM

Greater Transparency Needed about Potential General Revenue Financing

Why GAO Did This Study

Absent reform, Social Security’s financing gap will grow until currently scheduled benefits can no longer be paid in full. Recent reform proposals often include general revenue (GR)—a major change that can have significant implications for the budget as a whole. This report addresses these issues: (1) What information is available about GR in recent proposal scorings by Social Security’s Office of the Chief Actuary (OCACT)? (2) What common mechanisms, especially GR mechanisms, are used to increase program revenue? (3) What are the implications of GR for the trust fund and the federal budget? We have prepared this report under the Comptroller General’s statutory authority to conduct evaluations on his own initiative as part of a continued effort to assist Congress in addressing the challenges facing Social Security.

What GAO Recommends

GAO recommends that the Commissioner of SSA direct OCACT to include a summary presentation of its analysis to facilitate comparisons of reform proposals especially with respect to use of GR and federal budget implications. SSA suggested that a table showing how each provision affects the actuarial deficit would be helpful. GAO agrees but remains of the view that a table that can clearly and quickly communicate both trust fund effects and federal budget implications is needed.

www.gao.gov/cgi-bin/getrpt?GAO-07-213.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Susan J. Irving at (202) 512-9142 or irvings@gao.gov.

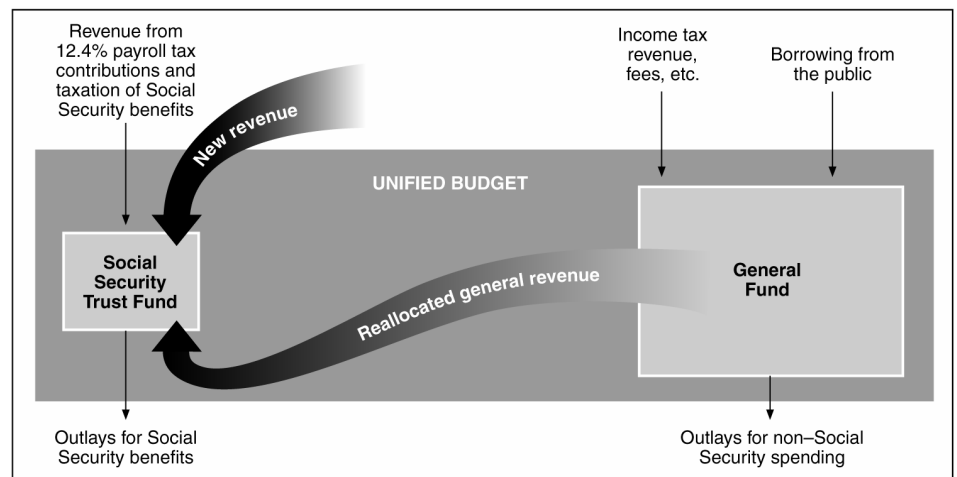
What GAO Found

Although focused on the trust fund, OCACT scoring memos are also the primary source of information on how proposals would impact the federal budget. Memos provide information on GR use and its effects, but experts said comparing proposals on this element presents challenges, requiring extensive efforts to understand complex tables shown at the end of the memos.

Fourteen of 17 proposals GAO reviewed provided GR (1) as needed to maintain trust fund solvency or (2) as specified by formula, amount, or source. Nine of the 17 achieved “sustainable solvency” under OCACT’s definition using the first approach. This type of unlimited transfer poses the greatest potential risk to the federal budget, especially when combined with benefit guarantees. In proposals reviewed, amounts of GR under both types of approaches ranged up to about twice program shortfall.

In all proposals using GR, the GR was reallocated from the non-Social Security budget. While any additional revenue to the trust fund will help solvency, unified federal budget effects depend on the type of revenue—whether it is new revenue (additional payroll tax revenue or GR that is new to the federal budget) versus reallocated GR. Absent other changes, new revenue would improve the long-term fiscal imbalance while reallocated GR would do nothing to address it. Although raising taxes (payroll or other) or cutting benefits would have tangible consequences for taxpayers and beneficiaries, e.g., less take-home pay or smaller benefit checks, the consequences of transfers from the non-Social Security budget in the form of reallocated GR are less likely to be clearly observable. Reallocated GR, however, is not free. Regardless of how GR is provided to Social Security, it must be paid for at some point. The question is when, and by whom.

New Revenue versus Reallocated General Revenue



Source: GAO.