



COMMITTEE *for a* RESPONSIBLE FEDERAL BUDGET

Committee for a Responsible Federal Budget Statement for the Record for the Senate Committee on the Budget “Social Security: A Discussion on the Facts and the Path Forward” March 25, 2026

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Chairman Graham, Ranking Member Merkley, and distinguished Members of the Senate Committee on the Budget:

Thank you for the opportunity to provide a written statement for the record for the Committee’s March 25 hearing, “Social Security: A Discussion on the Facts and the Path Forward.”

We applaud the Senate Budget Committee for bringing attention to the challenges facing Social Security. It is the nation’s largest federal program and largest retirement program. It helps to support [70 million](#) seniors, dependents, survivors, and disabled workers and insures an additional [237 million](#) workers against the risks of aging, disability, and death of a spouse or parent.

The Social Security Old-Age and Survivors Insurance (OASI) trust fund faces large structural shortfalls and is projected to be insolvent [in 2032](#). That is when today’s 61-year-olds reach their Normal Retirement Age and when today’s youngest retirees turn 68. At that point, the law calls for a 24% across-the-board benefit cut. For a typical couple retiring after insolvency, that is the equivalent of [\\$18,400](#) in lost annual benefits.

Given these challenges, this is a timely hearing to examine the facts behind Social Security’s challenges and the opportunities to begin addressing them.

In this statement, we show:

- The Social Security retirement fund is **less than seven years** from insolvency.
- Insolvency will lead to a **24% across-the-board benefit cut**, or **\$18,400 in lost annual benefits** for a typical dual-income couple retiring in 2033.
- Recent legislation has contributed to Social Security’s growing shortfall.
- Restoring solvency can improve the nation’s fiscal outlook, promote economic growth, bolster incomes, and strengthen retirement security.
- Avoiding insolvency with general revenue transfers or leveraged investments would be a costly mistake that could add **\$170 trillion+** to the national debt.
- Novel solutions are available to restore Social Security’s solvency.

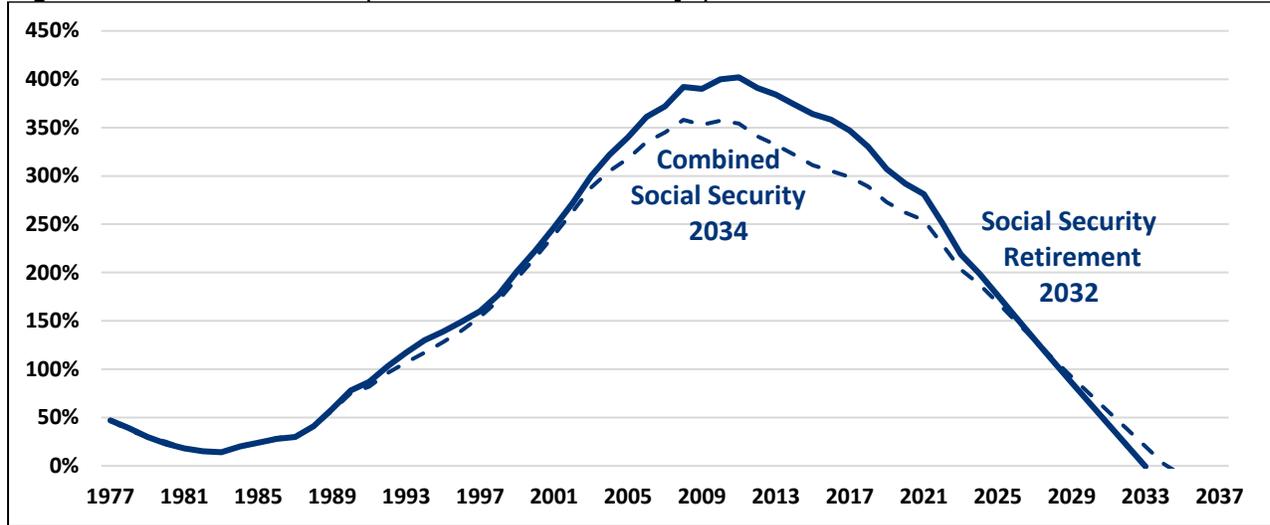
With insolvency less than seven years away, timely action is needed to save Social Security. The time to start is now.



Social Security Faces a Looming Insolvency Crisis

Social Security is in serious financial trouble. The program has spent more than it has collected in revenue since 2010, and these ongoing deficits are projected to deplete the retirement program’s trust fund reserves [by 2032](#) and the theoretically combined funds by 2034.

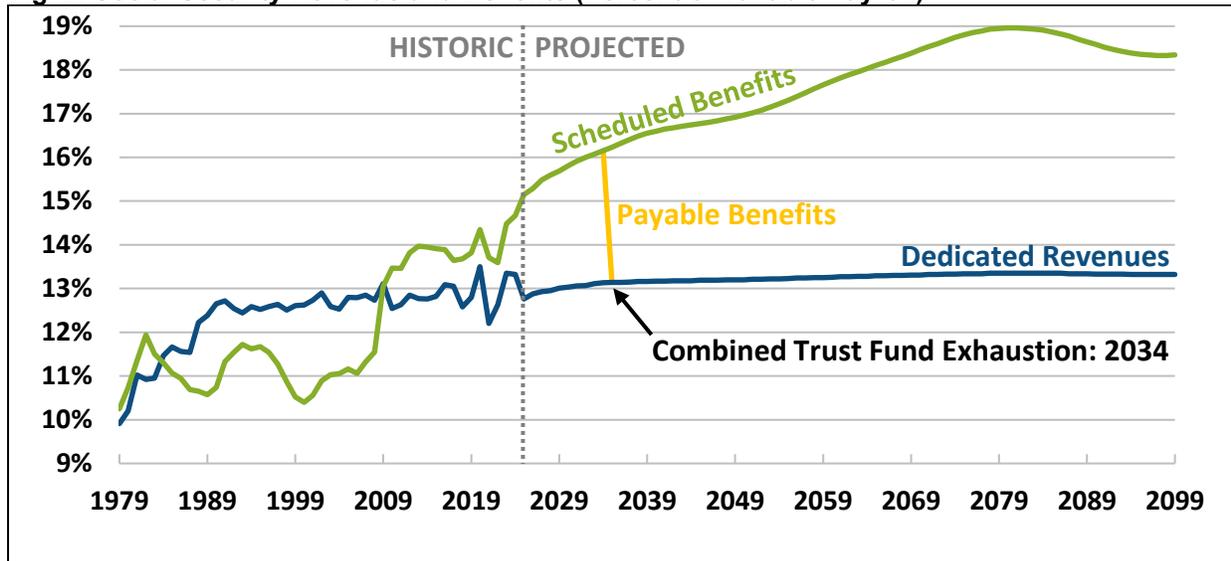
Fig. 1: Trust Fund Balances (Percent of Annual Outlays)



Sources: Social Security Administration and Committee for a Responsible Federal Budget.

Social Security’s imbalances are driven primarily by ongoing growth in costs – as the population ages and benefits grow – but also from erosion in the revenue basis. Over the next 75 years, Social Security faces an actuarial shortfall of 4% of taxable payroll or 1.4% of Gross Domestic Product (GDP). Closing that gap today would require the equivalent of an immediate 23% benefit cut or a 31% tax increase.

Fig. 2: Social Security Revenue and Benefits (Percent of Taxable Payroll)



Source: Social Security Administration.



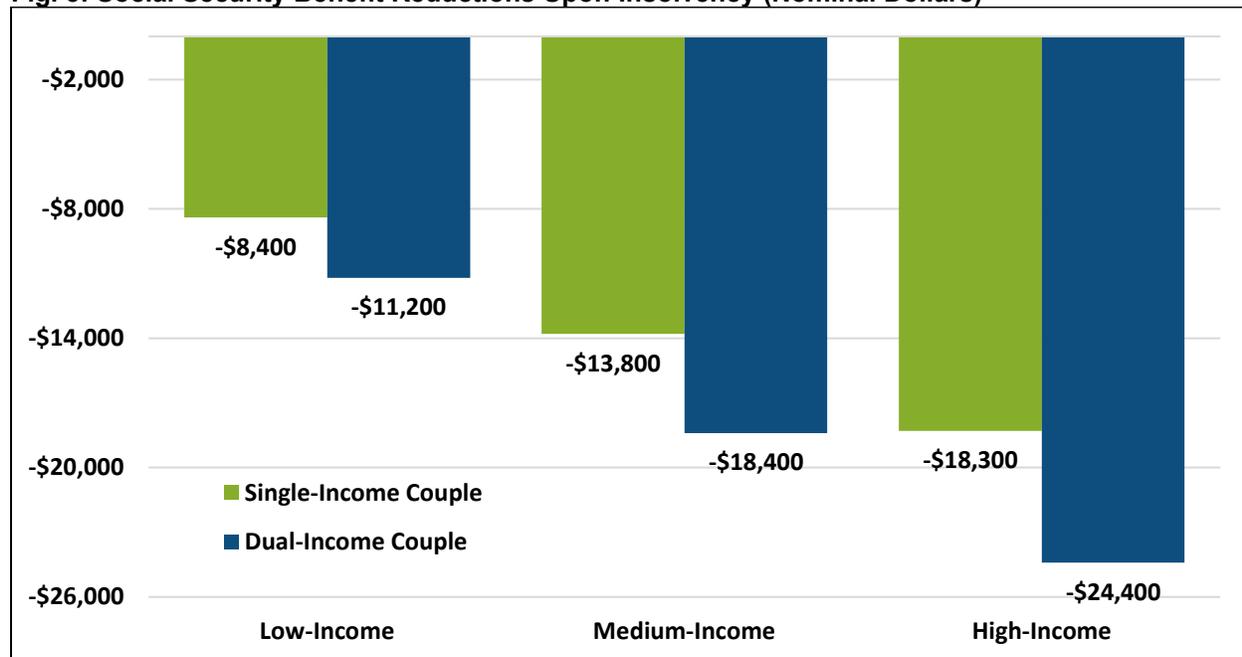
Social Security Beneficiaries Face Deep Cuts in Less than Seven Years

The Social Security retirement fund is less than [seven years](#) from insolvency, when today's 61-year-olds reach their Normal Retirement Age and when today's youngest retirees turn 68. Because the law prohibits the trust fund from paying out more than it has collected in revenue (plus accrued interest), those retirees will face a deep and abrupt benefit cut under the law.

Said another way, Social Security cannot pay full benefits to most current retirees, let alone future retirees, without congressional action.

Based on estimates from Social Security's Chief Actuary, insolvency will lead to a [24% benefit cut](#) in late 2032. For a typical couple retiring shortly thereafter, we estimate this would translate to an \$18,400 annual benefit cut.

Fig. 3: Social Security Benefit Reductions Upon Insolvency (Nominal Dollars)



Sources: Social Security Trustees and Committee for a Responsible Federal Budget.

Depending on a couple's age, marital status, and work history, the actual size of the benefit cut would vary. For example, a typical single-earner couple would face a \$13,800 cut, while a dual-earner low-income couple would face an \$11,200 annual cut. High-income couples could see a cut closer to \$24,400. While the absolute size of the cut would be smaller for low-income beneficiaries than high-income beneficiaries, it would represent a larger share of their income and their past earnings.

Over time, this annual cut will grow, from 24% in 2032 to 27% in 2050, based on projections from the Social Security Trustees. According to the Congressional Budget Office (CBO), benefits will need to be reduced by 28% on average in the years following insolvency.



Recent Legislation Accelerated Insolvency

Social Security [has been on a path toward insolvency for some time](#) – but over the past year, recent legislation has made its financial condition even worse.

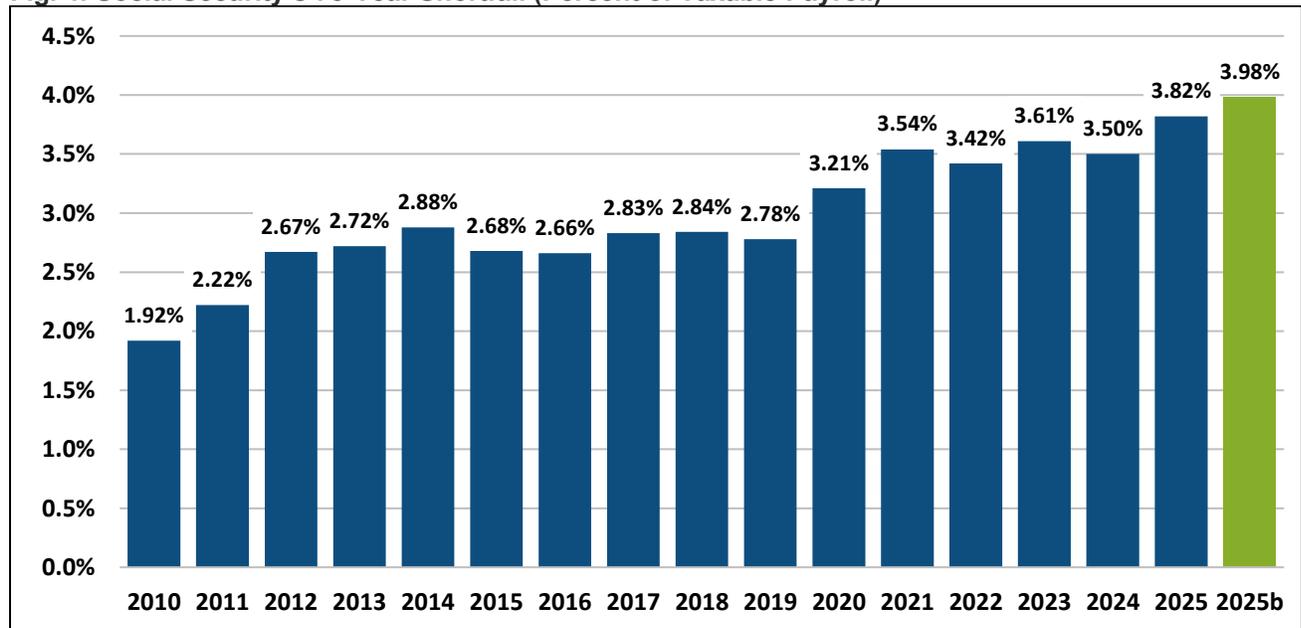
In January of 2025, Congress passed the [Social Security Fairness Act](#) on a bipartisan basis. That law – which effectively allows some state and local government workers to “double dip” into both Social Security benefits and their alternative pensions – increased the shortfall by [\\$200 billion](#) over ten years and [0.14%](#) of taxable payroll over 75 years.

[The One Big Beautiful Bill Act \(OBBBA\)](#), passed in July of 2025 on a partisan basis, increased Social Security’s shortfall further by reducing revenue flowing into the Social Security trust fund from the [income taxation of benefits](#). Based on our [estimates](#) which were subsequently [confirmed](#) by the Social Security Chief Actuary, OBBBA will cost the trust funds \$170 billion over ten years and widen its 75-year imbalance by 0.16% of payroll.

Taken together, these laws advanced Social Security’s insolvency date by nearly a full year and significantly worsened its long-term financial outlook.

As a result of these laws combined with various economic, demographic, and technical revisions, and – most significantly – years of neglect from policymakers unwilling to rescue Social Security, the program’s 75-year shortfall has *doubled* since 2010, from 1.9% of payroll back then to almost 4% of taxable payroll today. Relative to the economy, the 75-year shortfall totals 1.4% of GDP.

Fig. 4: Social Security’s 75-Year Shortfall (Percent of Taxable Payroll)



Source: Social Security Administration.

Note: 2025b represents the Social Security Administration’s Office of the Chief Actuary’s updated 2025 estimates following the enactment of the One Big Beautiful Bill Act.



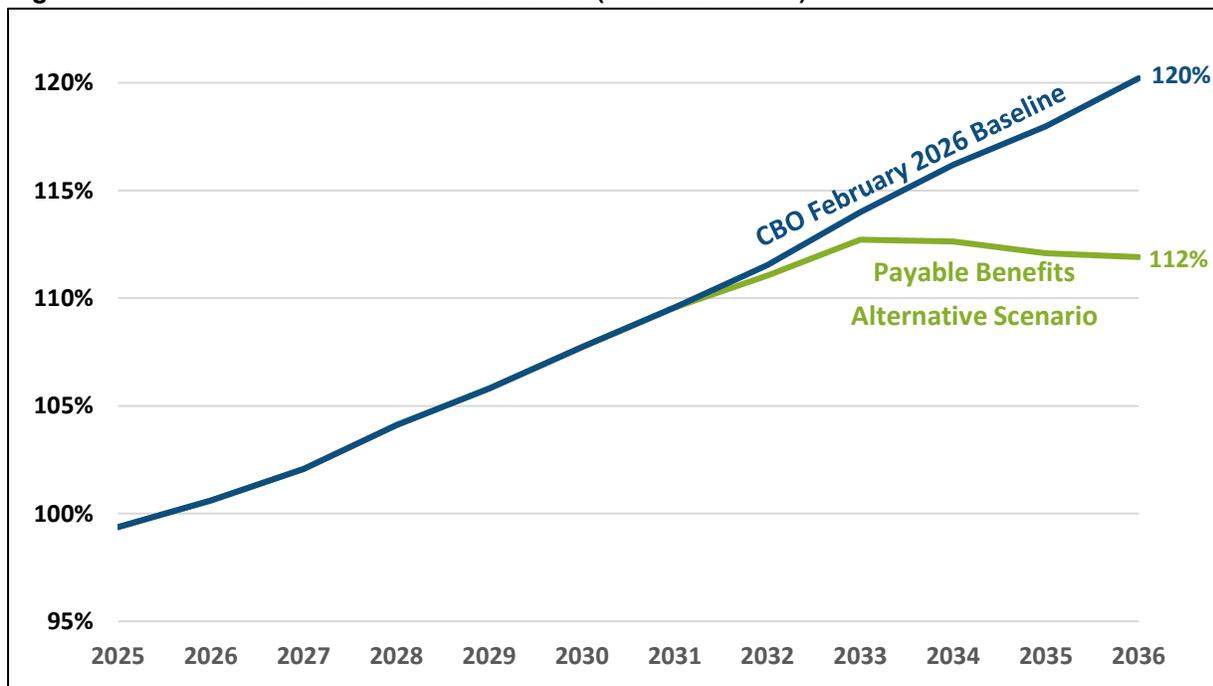
Social Security Solutions Can Help Stabilize the Nation's Fiscal Outlook

Avoiding the deep and abrupt benefit cut and securing the program for future generations will require bringing Social Security's revenues and costs into line. Doing so would also help to put the national debt on a sustainable path.

Debt currently stands at about 100% of GDP, roughly twice the 50-year historic average and higher than at any time in history except for a brief period after World War II. Under the latest CBO baseline, debt is projected to rise to 120% by Fiscal Year (FY) 2036 and 175% of GDP by 2056 – an unprecedented level that could cause a [fiscal crisis](#) or have serious adverse economic, financial, and national security consequences.

Importantly, CBO's baseline – as [required by law](#) – assumes Social Security will continue to pay scheduled benefits after its trust funds become insolvent. Under CBO's alternative "[payable benefits](#)" scenario, which assumes Social Security's benefits are limited to incoming revenues after trust fund exhaustion, debt would stabilize at around 112% of GDP between FY 2032 and 2036. Debt would likely grow again over the long run but at a much slower pace than before 2032.

Fig. 5: Federal Debt Under Different Scenarios (Percent of GDP)



Source: Congressional Budget Office and Committee for a Responsible Federal Budget.

The debt outlook would be improved even more by also securing the Highway and Medicare Hospital Insurance trust funds, as well as enacting thoughtful solvency plans that begin to phase in earlier, maintain a modest amount of trust fund reserves, and incorporate pro-growth elements to promote work, savings, and investment. We [previously estimated](#) such a package would put debt on a downward path toward 100% of GDP by 2060.



Social Security Reform Can Grow the Economy and Boost Incomes

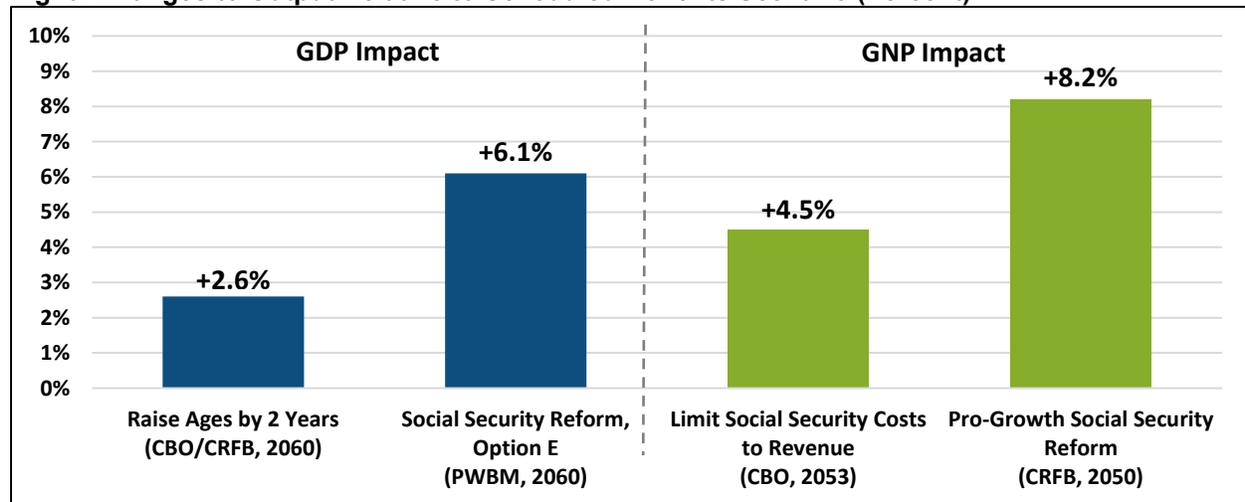
In addition to securing benefits and improving the fiscal outlook, Social Security reform can meaningfully improve economic growth. Social Security is the nation's largest federal program and its largest retirement program, and Social Security's payroll tax is the largest tax paid by most Americans. The program also provides strong incentives and signals that influence how and how much people work, save, invest, and retire.

Even blunt and abrupt efforts to restore solvency can grow the economy over time. CBO [estimates](#) that under their "payable benefits" scenario, real output would be **1% higher** by FY 2036 – just four years after insolvency – as a result of lower deficits and increased incentive to work and save. A previous [CBO analysis](#) of this scenario found Gross National Product (GNP) would be 4.5% higher after 30 years.

More thoughtful reforms could generate additional economic growth while causing far less disruption. For example, a [2012 CBO analysis](#) suggests that simply raising the major Social Security and Medicare ages by two years would [boost output](#) by 2.6% by 2060.

More recently, Penn Wharton Budget Model [estimated the economic impact](#) of a number of Social Security reform packages that go most of the way to solvency through a combination of revenue and benefit adjustments, finding they would boost GDP by 2% to 6%.

Fig. 6: Changes to Output Relative to Scheduled Benefits Scenario (Percent)



Sources: Congressional Budget Office, Penn Wharton Budget Model, Committee for a Responsible Federal Budget.¹

A package specifically focused on growing the economy could potentially offer an even larger boost. In 2019, CRFB's Marc Goldwein, Maya MacGuineas, and Chris Towner released a [pro-growth Social Security framework](#) that included measures specifically designed to restore solvency, promote work, encourage delayed retirement, and increase savings. They estimated this framework would boost real GNP growth by more than 8% – about 0.25% per year. By 2050, this would be the equivalent of a \$10,000 increase in per-person income.

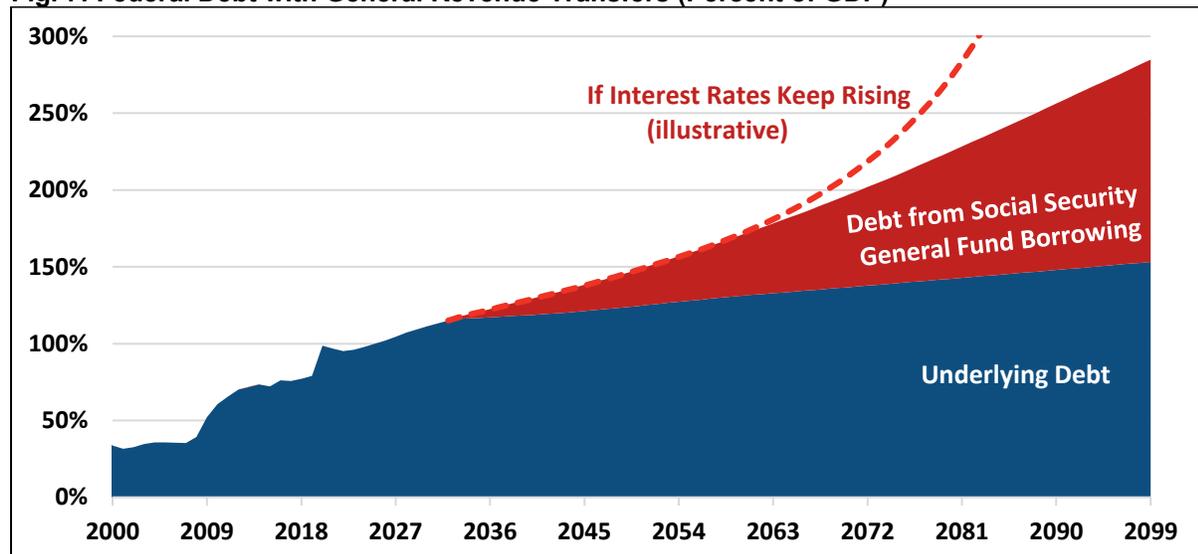


Borrowing to Restore Solvency Would Be a Costly Mistake

Rather than enact the necessary revenue and benefit adjustments to restore solvency, some have suggested instead an explicit or implicit debt-financed general revenue transfer to paper over the shortfall. One [recent proposal](#) would go further by also borrowing to fund new stock market investments to retroactively finance Social Security's 75-year shortfall. These approaches would be incredibly costly and involve significant economic, financial, fiscal, and political risks.

Funding Social Security's shortfall with [general revenues](#) would require borrowing roughly **\$160 trillion** on a real (inflation-adjusted) basis, or **\$740 trillion** on a nominal basis, over 75 years. This is the equivalent of **135% of GDP** – more than all the debt owed today. Such high levels of borrowing would slow economic growth, push up interest rates, and likely spark a [debt spiral](#). It would also end Social Security's long-standing status as a contributory and internally financed program, which could create additional political risks for both the budget and the program.

Fig. 7: Federal Debt with General Revenue Transfers (Percent of GDP)



Source: Committee for a Responsible Federal Budget, Congressional Budget Office, & Social Security Trustees.

The *Sovereign Debt Fund* [proposal](#) developed by Senator Bill Cassidy (R-LA) and others would be even more harmful. That plan would not only allow Social Security to borrow to fund benefits, but would also require \$1.5 trillion of additional borrowing to invest in the stock market.

Although the plan hopes to generate enough investment gains to ultimately pay back its borrowing, such a gamble would put the budget and program at immense risk. While stocks do generally grow faster than bonds, those higher returns come with higher risk. One [recent analysis](#) found that the *Sovereign Debt Fund* would fall short of generating enough returns to offset needed borrowing in 70% of scenarios, and would offset none of the borrowing in 10% of scenarios. This assumes the investment fund is left alone for 75 years with no political interference. Such a plan would also push up interest rates, reduce returns on pensions and retirement accounts, create new risks for Social Security and the budget, and perhaps spark a debt crisis.



Novel Solutions Can Help Save Social Security

Social Security could and should have been brought into balance decades ago. There are literally dozens of well-known ideas to [slow the growth of Social Security](#) and [improve revenue collection](#). Unfortunately, many of these ideas have become politicized, and most were developed decades ago and thus don't fully reflect recent changes in the economy and health care systems.

The Committee for a Responsible Federal Budget recently launched a [Trust Fund Solutions Initiative](#) to supplement the existing library of options with a series of novel solutions to not only help improve solvency, but also promote economic growth, strengthen retirement security, enable continued work, improve seniors' health, and balance the country's finances.

Some of the solutions we have developed so far include:

- [Employer Compensation Tax \(ECT\)](#) – This option replaces the employer-side payroll tax with a broad-based tax on all compensation costs – including wages and fringe benefits like employer-sponsored insurance contributions. The *ECT* would close **two-thirds** of the solvency gap, with 80% of the revenue coming from the top fifth of workers, while improving tax efficiency, putting downward pressure on health care costs, and keeping marginal tax rates lower than alternative revenue options.
- [COLA Cap](#) – This option limits Cost-of-Living Adjustments (COLAs) for the wealthiest seniors, matching their annual benefit increases to those of lower, but still high-income, seniors. The policy would close **one-twentieth** to **one-quarter** of the solvency gap in a progressive manner while maintaining adequate inflation protection for everyone and avoiding work disincentives or nominal benefit cuts.
- [Six Figure Limit](#) – Two very high-income earners retiring at age 67 can now collect over \$100,000 in annual benefits. This option caps benefits at \$100,000 for a couple and \$50,000 for a single retiree. The policy could close **one-fifth** to **one-half** of the solvency gap, depending on how it is indexed over time, while significantly increasing progressivity and boosting payable benefits for most retirees.
- [Earn-As-You-Go](#) – This option replaces the current benefit formula – which averages a worker's highest 35 work years – with a new formula that credits all work years toward benefits. Benefits would accrue annually based on a progressive formula applied to each work year with no 10-year minimum or 35-year maximum. This policy would significantly improve work incentives and their salience while also improving solvency.

We are also developing other novel ideas, including reforms to taxation of benefits, increases in the retirement age with protections for vulnerable seniors, expansions of coverage, and changes to the structure of early retirement benefits. Others have also [put forward](#) novel solutions.

Ultimately, a combination of changes will be needed to restore Social Security solvency. Whether using classic options or novel ones, lawmakers should act quickly to put these changes in place in order to spread adjustments over more people and give workers time to plan and adjust.



Conclusion

Thank you to the Members of this Committee for their interest in understanding Social Security's financial imbalances and in solutions to restoring the program's long-term solvency. With less than seven years until the retirement trust fund is exhausted – and with it a 24% across-the-board benefit cut – timely action is needed to set Social Security on a sustainable course. [Many options are on the table](#). But time to act is short, and the longer we wait the tougher the choices will become.

¹ The first option would raise Social Security's Full Retirement Age and Earliest Eligibility Age as well as Medicare's Eligibility Age by two years to 69, 64, and 67, respectively. Estimates are based on CBO's 2012 [issue brief](#) "Raising the Ages of Eligibility for Medicare and Social Security." Figures are for 2060. The second reflects the [Penn Wharton Budget Model's 2026 estimates](#) of a comprehensive Social Security reform package, which would raise Social Security's Full Retirement Age by two years, index Social Security benefits after initial claiming to the Chained CPI (C-CPI-U), and make Social Security's benefit formula more progressive. Our third option comes from a [2023 CBO analysis](#) of alternative budget scenarios and reflects their projections of the change in Gross National Product (GNP) under a scenario in which Social Security outlays are restricted to revenue after trust fund insolvency. The last option comes from the Goldwein-MacGuineas-Towner [Pro-Growth Social Security Reform](#) plan, which would raise Social Security's retirement ages, enact an Age-62 Poverty Protection Benefit, replace Social Security's current benefit formula with one that counts all years of work equally (Mini-PIA), create Supplemental Retirement Accounts, and implement other measures to restore solvency. The figures presented here represent the average of their high and low estimates of the projected effects of their plan on real GNP in 2050.