

STRENGTHEN SOCIAL SECURITY

...don't cut it.

The Social Security DI Trust Fund's Projected Short-Range Deficit Is a Direct Result of Congressional Reallocations Enacted in the Early 1980's

Social Security is one insurance system with two constituent trust funds: one for Old Age and Survivors Insurance (OASI), and one for Disability Insurance (DI). A majority of workers' Social Security contributions flow to the OASI fund, and the rest to the DI fund. The precise shares and rates have varied over time, based on each fund's projected costs and revenues.

At the end of the 1970s, the combined Social Security contribution rate was scheduled to rise steadily until becoming 6.2 percent from 1990 onward. Of this, 5.1 percent was scheduled to flow to the OASI fund, and 1.1 percent to the DI fund. (See the cell to which the arrow is pointing in the table from the 1979 Trustees Report.) The rates for DI were scheduled to be .750 percent in 1980, 0.825 percent in 1981 - 1984, and 0.950 percent in 1985 - 1989, as the attached chart also shows.

In the late 1970's and early 1980s, however, the OASI program faced an unanticipated, imminent shortfall. A short-term fix, the Reallocation of Social Security Tax Receipts Act, was enacted in 1980 to bring the two funds into better balance and to allow Congress more time for a longer term solution to address the projected shortfall. As a result of that enactment, the percentage of FICA allocated to DI was reduced to 0.560, rather than 0.750, in 1980, and to 0.650, rather than 0.825, in 1981.

Towards the end of 1982, President Reagan and Congress convened the Greenspan Commission to develop reforms that would address this shortfall in the OASI fund. Based in large part on the Commission's recommendations, Congress enacted a set of amendments to the Social Security Act in 1983. One of the reforms was to rebalance the share of Social Security contributions going to each of the two funds. **In order to quickly shore up the OASI fund, Congress erred on the side of overbalancing toward it.** Instead of 0.825 percent allocated to the DI trust fund from 1983 to 1984, 0.950 from 1985 to 1989, and 1.1 percent starting in 1990, the 1983 amendments allocated only 0.625 percent in 1983, dropping to just 0.500 to DI from 1984 to 1987, to .530 in 1988 and 1989, and only 0.6 percent thereafter.

By 1994, Congress realized it had taken too much funding away from DI, and enacted a corrective reform. But it corrected the 1983 overbalancing only partially, raising the DI contribution rate to 0.9 percent from 2000 onward, and restoring none of the earlier re-allocated funds.ⁱ

Even without correcting for the re-allocations made prior to 1990, **the disability fund would not face an imminent shortfall today, if the DI contribution rate had been 1.1 percent, as originally scheduled,** from 1990 onward.ⁱⁱ

From 1979's Social Security Trustees Report

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TABLE 1.—CONTRIBUTION AND BENEFIT BASE AND CONTRIBUTION RATES

Calendar years	Contribution and benefit base	Contribution rates (percent of taxable earnings)					
		Employees and employers, each			Self-employed		
		OASDI	OASI	DI	OASDI	OASI	DI
1937-49	\$3,000	1.000	1.000				
1950	3,000	1.500	1.500				
1951-53	3,600	1.500	1.500		2.2500	2.2500	
1954	3,600	2.000	2.000		3.0000	3.0000	
1955-58	4,200	2.000	2.000		3.0000	3.0000	
1957-58	4,200	2.250	2.000	0.250	3.3750	3.0000	0.3750
1959	4,800	2.500	2.250	.250	3.7500	3.3750	.3750
1960-61	4,800	3.000	2.750	.250	4.5000	4.1250	.3750
1962	4,800	3.125	2.875	.250	4.7000	4.3250	.3750
1963-65	4,800	3.625	3.375	.250	5.4000	5.0250	.3750
1966	6,600	3.850	3.500	.350	5.8000	5.2750	.5250
1967	6,600	3.900	3.550	.350	5.9000	5.3750	.5250
1968	7,800	3.800	3.325	.475	5.8000	5.0875	.7125
1969	7,800	4.200	3.725	.475	6.3000	5.5875	.7125
1970	7,800	4.200	3.650	.550	6.3000	5.4750	.8250
1971	7,800	4.600	4.050	.550	6.9000	6.0750	.8250
1972	9,000	4.600	4.050	.550	6.9000	6.0750	.8250
1973	10,800	4.850	4.300	.550	7.0000	6.2050	.7950
1974	13,200	4.950	4.375	.575	7.0000	6.1850	.8150
1975	14,100	4.950	4.375	.575	7.0000	6.1850	.8150
1976	15,300	4.950	4.375	.575	7.0000	6.1850	.8150
1977	16,500	4.950	4.375	.575	7.0000	6.1850	.8150
1978	17,700	5.050	4.275	.775	7.1000	6.0100	1.0900
1979	22,900	5.080	4.330	.750	7.0500	6.0100	1.0400
Changes scheduled in present law:							
1980	25,900	5.080	4.330	.750	7.0500	6.0100	1.0400
1981	29,700	5.350	4.525	.825	8.0000	6.7625	1.2375
1982-84	(¹)	5.400	4.575	.825	8.0500	6.8125	1.2375
1985-89	(¹)	5.700	4.750	.950	8.5500	7.1250	1.4250
1990 and later	(¹)	6.200	5.100	1.100	9.3000	7.6500	1.6500

¹ Subject to automatic increase.

¹ Social Security Administration, "Program Tax Rates," March 8, 2012. <http://www.ssa.gov/oact/progdata/oasdiRates.html>

ⁱⁱ Kathy Ruffing and Paul N. Van de Water, "Boosting Disability Insurance Share of Social Security Payroll Tax Would Not Harm Retirees, Would Protect Many Seniors, Allow Focus on Overall Solvency," Center on Budget and Policy Priorities, December 2, 2014. <http://www.cbpp.org/research/boosting-disability-insurance-share-of-social-security-payroll-tax-would-not-harm-retirees>