

**The National Council of Social Security Management Associations, Inc.**

**THE WASHINGTON REPORT  
LEGISLATIVE REPORT 29-2003**

September 5, 2003

• **Congressional Action Related to the Social Security Program for the Week of September 1 – 5, 2003**

Below is a compilation of recent congressional action related to the Social Security Program. Please do not hesitate to contact us if you have any questions or would like us to provide additional information regarding any of the measures.

*Floor Speech of Rep. Nick Smith (R-MI) concerning the Social Security “funding crisis”, from the Congressional Record, p H7940, 9/4/03:*

“This chart represents the problems of fewer workers being responsible to pay the retirement benefits of our retirees in this country. In 1940 there were 38 workers working for every person over age 65. By the year 2000, it was three workers. The projection by the actuaries at the Social Security Administration is that by 2025, there will only be two workers working and paying in their Social Security tax for every retiree. If we are to give those retirees the same amount, you can see that taxes have to be increased. And so I have another chart that is coming up pretty soon on how every time we have been in trouble in this country since we started Social Security, every time we started running low on funds, we increased the tax rate or the tax base, how much the tax rate is on so many dollars that you might earn.

This is not a new situation in terms of knowing it was a problem. Let me read you a few quotes, starting with 1991 from the former commissioner of Social Security, Dorcus Hardy, at that time. He said, and I quote:

“The crisis is coming fast in the lifetime of a few already retired and of almost all those now under age 55. The stakes are high, trillions of dollars.” That is 1991.

The next quote is from 1994: “Failing to take prompt action on Social Security will burden our children and our grandchildren with benefit cuts and crippling taxes.” That was Representative *Nick Smith*. When I came to Congress in 1993, I already had my first Social Security bill. So every 2-year session I have introduced another Social Security bill. Since 1994, they have all been scored by the Social Security Administration to keep Social Security solvent. I came to Congress and went on the Budget Committee, in my first year, freshman year in Congress, I introduced a budget that balanced the budget for this country because I felt so strongly as a farm kid from Michigan that government should act like we ask families to act, that they cannot just go deeper and deeper into debt and never pay it back. Somehow there has to be some kind of a plan where eventually you start paying back all the debt you earn. Right now we have the interest on the debt, if we were to go back to that pie chart, is approaching \$300 billion, but this is at record low interest rates. If interest goes back to normal, then the servicing of that debt, the

interest payment on that debt, is going to almost be a much more dramatic part of the whole Federal Government spending.

And what do we do to pay the interest on that debt? Do we just simply borrow more money, pretending that sometime in future years our kids and our grandkids will magically come up with the productivity and the competitiveness internationally to pay off this debt that we are accumulating today? I think we should be ashamed of ourselves.

I get off the track here, but let me go through a few more of these quotes which I am trying to simply demonstrate that we have known for a long time that it has been a problem. This is in 1996 and it is the former Secretary of Commerce and the Concord Coalition President, Peter Peterson: “Will America grow up before it grows old? Will we make the needed Social Security transformation early, intelligently and humanely or procrastinate until delay exacts a huge price from those least able to afford it?”

1998: “We face a crisis in the Social Security system and we can no longer wait to put it on a sound footing. We need to move from the unreliable pay-as-you-go system to one based on benefiting from real investment.” That was Representative Tim Penny, Democrat from Minnesota, 1998.

In 1999: “Time is the enemy of Social Security reform and we should move without delay.” Actually that came from a bipartisan Social Security task force that I chaired where Democrats and Republicans agreed that we cannot delay and put off any longer a solution to make Social Security solvent because we knew and Americans know that Social Security is an important program to so many Americans, current and future retirees, that we simply should not overlook it.

I just am so discouraged that there has been little reaction from the House or the Senate in developing solutions to Social Security. By my count, there have only been 26 Members since I came to Congress in 1993, only 26 Members that have signed on to the Social Security solution bill that would keep Social Security solvent.

Let me move ahead with the charts. Insolvency is certain. We know how many people there are and we know when they are going to retire. We know that people will live longer in retirement. We know how much they will pay in and how much they will take out. Payroll taxes will not cover benefits starting in 2017 and the shortfalls will add up to \$120 trillion between 2017 and 2075. \$120 trillion over those years is the same as putting that nine to \$10 billion in a savings account today.

If we are to increase taxes to cover these deficits, again that means that the taxes come out of the hide of those workers for less income or it means higher prices that that company charges when they sell their products. So somehow people are paying that tax. Doing nothing means tax increases of some kind in the future.

I thought this was a fun chart, Mr. Speaker. This is how many years it takes over the past 60 years that you have to live after retirement to break even on the Social Security taxes that you have sent to government. If you were lucky, in 1940 since that was just the beginning, you could get back all you and your employer put in 2 months. By 1980, you had to live 4 years after retirement. In 1995, you had to live 16 years after retirement. It keeps going up because we keep

over these years increasing the taxes that you pay in, so you are paying in more money, benefits are not increasing proportionally that much so you end up having to live longer to break even on Social Security. The purpose of this chart is to try to start sending the message that Social Security is not a good investment for retirement. By 2015, it goes to 26 years that you have to live after you reach 65 to break even on the money you have sent in to Social Security.”

**H.R.2995**

**Title:** To amend title II of the Social Security Act to provide that an individual's entitlement to any benefit thereunder shall continue through the month of his or her death (without affecting any other person's entitlement to benefits for that month).

**Sponsor:** Rep Peterson, Collin C. [MN-7] (introduced 9/3/2003) **Cosponsors:** (none)

**Latest Major Action:** 9/3/2003 Referred to House committee. Status: Referred to the House Committee on Ways and Means.

Submitted by **Rep. Robert Andrews** (NJ-D):

**H.R. 3001.** A bill to amend title II of the Social Security Act to provide that a monthly insurance benefit thereunder shall be paid for the month in which the recipient dies; to the Committee on Ways and Means. (As of September 5, 2003, a GPO version of the bill was not available.)

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