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GAO Views on H.R. 2898, the "Social Security  
Protection Act of 1991"

Statement of  
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Before the  
Subcommittee on the Legislative Process  
Committee on Rules  
House of Representatives



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Mr. Chairman, members of the Subcommittee:

I am pleased to appear before you today to discuss H.R. 2898's proposed treatment of the administrative expenses of the Social Security old-age, survivors, and disability insurance (OASDI) programs.

Since fiscal year 1986 and prior to the enactment of the Budget Enforcement Act of 1990 (BEA) the receipts and disbursements of the OASDI programs were off-budget, but were included in the deficit calculations of the Balanced Budget and Emergency Deficit Control Act of 1985, better known as Gramm-Rudman-Hollings. Section 13301 of BEA changed this treatment by providing that receipts and disbursements of these programs should not be counted for purposes of the Balanced Budget and Emergency Deficit Control Act, as amended by BEA, or for purposes of the budget submitted by the President or the congressional budget.

The Congressional Budget Office (CBO) and the Office of Management and Budget (OMB) have disagreed over the application of this new provision to OASDI administrative expenses. These expenses are paid out of the OASDI trust funds, but are controlled through obligation limitations in annual appropriation acts. CBO asserts that for fiscal years after 1991 the provision applies to outlays for OASDI administrative expenses as well as to benefit payments. Under this interpretation, OASDI administrative expenses

would not be part of any Balanced Budget and Emergency Deficit Control Act calculations, including determinations of compliance with the discretionary spending limits established by BEA. In contrast, OMB has determined that BEA's definition of the discretionary category requires that the outlays for OASDI administrative expenses be included in the discretionary category and, therefore, has included these expenses in its calculations for purposes of the Balanced Budget and Emergency Deficit Control Act.

We think that the statute is not entirely clear on this issue and could support either CBO's or OMB's interpretation. Under the Act, it is OMB's interpretations and calculations that are used to determine Presidential sequestration orders.

H.R. 2898 would overturn the OMB interpretation by providing explicitly that OASDI administrative expenses shall not be counted for purposes of the budget submitted by the President, the congressional budget, or the Balanced Budget and Emergency Deficit Control Act of 1985; shall not be considered to be in any discretionary spending category; and shall be exempt from any sequestration order. In addition, H.R. 2898 provides that no adjustment in the discretionary spending limits may be made as a result of the amendments made by the legislation. The net effect of the bill, if enacted, would be to:

- exempt OASDI administrative expenses from the constraints imposed by BEA discretionary spending limits and the normal operations of the Congressional Budget Act, and
- make about \$2.5 billion per year in outlays available for other domestic discretionary spending programs, potentially increasing the deficit by that amount.

It is for the Congress, of course, to decide whether or not to take the action contemplated in H.R. 2898. But since you have asked that we comment, I must advise that GAO does not favor excluding OASDI administrative expenses from the discretionary spending category. If, however, the Congress does enact such a change, we also do not favor prohibiting an appropriate adjustment in the discretionary spending limits.

As a general principle, we think that summary presentations of federal financial transactions should be comprehensive, reflecting all federal activities and their effect on the economy. The Congress has made it clear, however, that Social Security programs should be off-budget. Nevertheless, we think that it would be reasonable to keep OASDI administrative expenses on-budget and included in BEA calculations, even if the receipts and benefit payments are excluded. There are no significant differences between these administrative expenses and administrative expenses of other federal programs.

If the Congress does decide that all OASDI disbursements should be off-budget and excluded from all Balanced Budget and Emergency Deficit Control Act calculations, we do not favor prohibiting OMB from adjusting the discretionary spending limit as would otherwise be required by BEA. Section 251(b)(1)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, requires the discretionary spending limits be adjusted to account for any "changes in concepts and definitions." Since OMB currently considers OASDI administrative expenses part of the domestic discretionary category, removing them from that category would represent a change in the definition of the category. According to CBO the domestic discretionary category would be adjusted downward by about \$2.5 billion in fiscal year 1992 unless the adjustment is prohibited. Prohibiting the adjustment would free up that \$2.5 billion per year in outlays for other domestic purposes. If the \$2.5 billion were spent for these other purposes, the deficit would be increased by that amount.

BEA represented a commitment by the Congress and the President that deficit reduction of nearly \$500 billion would be achieved over the 5-year period from fiscal year 1991 through 1995. Approximately \$150 billion of that deficit reduction is to come from cuts in discretionary spending in 1992 and later years. The recession and the rising costs of deposit insurance and other mandatory programs have increased the deficit far above the levels hoped for when BEA was enacted last year. Any indication that the

resolve to achieve the deficit reduction promised by last year's agreement is weakening could be very unsettling. Accordingly, we recommend that OMB be allowed to make the adjustment required by BEA so that discretionary savings are not eroded.

That concludes my statement. I will be happy to answer any questions.