Hi Mark,

In 1968, President Johnson changed the fundamental structure of Social Security. At that time, the Social Security surplus was diverted to the general government fund. This is termed as moving it “on-budget.”

Here’s the source for that:

“In early 1968 President Lyndon Johnson made a change in the budget presentation by including Social Security and all other trust funds in a ’unified budget.’ This is likewise sometimes described by saying that Social Security was placed ‘on-budget.’”

(<http://www.ssa.gov/history/BudgetTreatment.html>)

In the 1983 Social Security Amendments, “a provision was included mandating that Social Security be taken ‘off-budget’ starting in FY 1993.”

According to the Social Security website:

*The actual form of the 1983 change was somewhat complex. It provided:*

*1) That the Social Security and Medicare trust funds (and the income and outgo to these funds) be treated as separate budget functions, starting with the 1985 fiscal year and ending with fiscal year 1992.*

*2) For the initial budget year after enactment (FY 1984) the Congress would be bound to use the new procedures but the executive branch would not (because the FY 1984 President's budget had already been submitted to Congress under the old rules).*

*3) Starting with fiscal year 1993, Social Security and the Medicare Part A trust funds were not only off-budget, but were exempted from any general budget reductions that might otherwise apply to the entire federal budget (such as an across-the-board cut). The Part B Medicare trust fund, while also to be shown as a separate budget function, was not protected from general budget limitations.*

*Thus, in this rather complicated fashion, the Social Security program was again off-budget by FY 1985. Perhaps the more important date here, however, was the 1993 date because that date exempted the Social Security program from the potential of generalized budget-cuts..*

*The BEA budget treatment of Social Security basically remains the law to the present day. Specifically, present law mandates that the two Social Security Trust Funds, and the operations of the Postal Service, are formally considered to be "off-budget" and no longer part of the unified federal budget…*

*However, those involved in budget matters often produce two sets of numbers, one without Social Security included in the budget totals and one with Social Security included. Thus, Social Security is still frequently treated as though it were part of the unified federal budget even though, technically, it no longer is.*

*To illustrate the difference between the "on-budget" and "off-budget" parts of the federal budget, we can observe that for fiscal year 2004 the following figures were reported by OMB:*

|  |  |  |
| --- | --- | --- |
|  | *Unified Budget* | *Without "off-budget" items* |
| *Receipts* | *$1.8 trillion* | *$1.3 trillion* |
| *Expenditures* | *$2.2 trillion* | *$1.9 trillion* |
| *Deficit* | *$412 billion* | *$567 billion* |
| *Source: Historical Tables: Budget of the U.S. Government, Fiscal Year 2006, Table 1.1, pg. 22.* |

So, these funds are still calculated within the budget process for the general fund, and continue to run deficits.

The Congressional Budget Office (CBO) and the Social Security Trustees projected that Social Security would return to surpluses again before running into deficits again in 2016.  New projections show deficits every year from 2012 through 2022, totaling around $937 billion (<http://www.ssa.gov/OACT/TR/2012/lr6f9.html>).

So, if you look over the next 10 years -- 2012 to 2022 -- Social Security will run cash deficits of around $937 billion. While benefits are not yet being cut, it does mean the taxpayer has to come up with that cash to repay the trust fund.

Thanks,

Chandler