Hi Mark,

For your use on background. Topline answer is that Social Security funds are being used to pay other government obligations. This happens particularly when the federal budget is in a deficit.

Here are additional details, and sources below:

FICA taxes go into the Social Security trust funds (OASI and DI).  The trust funds are required to invest this tax money in Treasury securities; when they do invest it, Treasury gets the money.  The money is then spent by the Treasury on general government obligations, and the trust funds receive the paper Treasury securities.  The effect of this transfer of money between Social Security and the Treasury is to lower the deficit (or increase a surplus).  When Social Security is “[cash negative](http://www.washingtonpost.com/business/economy/the-debt-fallout-how-social-security-went-cash-negative-earlier-than-expected/2011/10/27/gIQACm1QTM_story.html)” (see the Washington Post story when this happened [here](http://www.washingtonpost.com/business/economy/the-debt-fallout-how-social-security-went-cash-negative-earlier-than-expected/2011/10/27/gIQACm1QTM_story.html))  they will need to redeem some of their Treasury securities to pay benefits.  If the federal budget is not in a surplus, the Treasury must borrow cash from the private market to pay Social Security.  Thus **future Social Security benefits in “cash negative” years will be obtained from new borrowing**, not cash stored in the trust funds because there is no cash there.

Social Security trustees report that the Social Security trust funds (“OASDI”—the OASI and DI trust funds combined) went cash negative in 2010 excluding interest income from Treasuries and will go cash negative in 2021 including Treasury interest income.  See table titled “Key Dates for the Trust Funds” here: <http://www.ssa.gov/oact/TRSUM/index.html>

Quotes from sources:

Congressional Research Service: <http://aging.senate.gov/crs/ss5.pdf>

*By law, if Social Security revenues exceed expenditures, the “surplus” is credited to the Social Security trust funds in the form of U.S. government securities. The money itself, however, is used to pay for whatever other expenses the government may have at the time. There is no separate pool of money set aside for Social Security purposes.*

Center on Budget and Policy Priorities (please note that this is actually a left-leaning organization): <http://www.cbpp.org/cms/?fa=view&id=3299>

*When the rest of the budget is in deficit, a Social Security cash surplus allows the government to borrow less from the public to finance the deficit. (The “public” encompasses all lenders other than federal trust funds, including U.S. individuals and institutions, the Federal Reserve System, and foreign investors.) The Treasury always uses whatever cash is on hand — whether from Social Security contributions or other earmarked or non-earmarked sources — to meet its current obligations before engaging in additional borrowing from the public. There is no sensible alternative to this practice. After all, why should the Treasury borrow funds when it has cash in the till?*

Chamber of Commerce: <http://www.uschamber.com/issues/retirementpension/socialsecurity/trust-fund-myth>

*The Social Security trust fund consists totally of special issue Treasury bonds and certificates of indebtedness. They are special in that these bonds can only be issued to and redeemed by the Social Security trust funds. These bonds cannot be sold in the open market.*

*The Social Security trust fund bonds pay the same interest as regular Treasury bonds issued on the same day and in the same maturity. When the bonds mature, they are rolled over into new bonds that include both the original issue amount and any interest due. The new bonds pay whatever interest as regular Treasury bonds of the same maturity issued on that date.*

*These bonds are really nothing more than IOUs from one branch of government to another. They are not a real financial asset.*

*Until relatively recently, these bonds only existed as entries in a record book. However, now when a new bond is issued, it is printed on a laser printer located at the Bureau of the Public Debt's Martinsburg, WV office. The bond is then carried across the room and put in a fireproof filing cabinet. That filing cabinet is the Social Security trust fund.*