

BOARD OF TRUSTEES OF THE  
FEDERAL OLD-AGE AND SURVIVORS INSURANCE  
AND DISABILITY INSURANCE TRUST FUNDS  
Washington, D.C., April , 1994

HONORABLE THOMAS S. FOLEY  
Speaker of the House of Representatives  
Washington, D.C.

Dear Mr. Speaker:

On April 2, 1992, in compliance with Section 709 of the Social Security Act, the prior Board notified each House of the Congress that the reserves of the Disability Insurance Trust Fund were expected to be depleted as early as 1995.

In December 1992, after further study of the issue, the prior Board recommended to the Congress that the payroll tax rates be reallocated to address the immediate financial needs of the DI Trust Fund. The Board advised that the exact amount of the reallocation should be determined when the 1993 Trustees Report was released. The Board also recommended that the best possible research program be undertaken to establish more clearly whether the recent rapid growth in the number of DI beneficiaries is a temporary occurrence or a longer term trend.

When the 1993 Trustees Report was released, on April 6, 1993, this Board notified each House of the Congress that it concurred with the prior Board's recommendations. A specific reallocation schedule was recommended that would have become effective as of January 1, 1993. However, no legislation was enacted to reallocate the tax rates.

As shown in the 1994 Trustees Report, which we are issuing today, the DI Trust Fund is still expected to be exhausted in 1995. Based on the estimates in the 1994 report, we recommend a reallocation of 0.34 percent of the tax rate for employees and employers, each, from OASI to DI from 1994 through 1999. The rate allocated to DI in 1994-99 would therefore be increased from 0.60 percent to 0.94 percent each for employees and employers. For the years 2000 and later, we recommend a reallocated rate of 0.90 percent for employees and employers, each, representing an increase of 0.19 percent over the rate of 0.71 percent scheduled for 2000 and later under present law. These changes in the tax rate allocations would make the DI Trust Fund financially adequate in the short range (next 10 years), without jeopardizing the short-range status of the OASI Trust Fund.

Part of the increase in the DI rate recommended for 1994-99 is intended to replace the additional taxes the DI Trust Fund would have received for 1993 if the reallocation recommended last year had been enacted. The ultimate rate of 0.90 percent is somewhat higher than the rate of 0.875 percent recommended last year because of an increase in the long-range cost of the DI program.

While the reallocation schedule we are recommending would not jeopardize the short-range financing of the OASI Trust Fund, it would, to some extent, adversely affect the long-range financial status of that fund. We recommend consideration of the long-term financial needs of the OASI and DI Trust Funds to restore long-term solvency.

We urge the Congress to pass the reallocation as soon as possible this year to allay continuing public concern about the financing of the DI program. Prompt action by the Congress is required to avert arriving at a point during 1995 when the amount in the DI Trust Fund will be insufficient to make full benefit payments in a timely manner.

A similar letter is being sent to the President of the Senate.

Respectfully,

LLOYD M. BENTSEN, Secretary of the  
Treasury, and Managing Trustee of  
the Trust Funds

ROBERT B. REICH, Secretary of  
Labor, and Trustee

DONNA E. SHALALA, Secretary of  
Health and Human Services, and  
Trustee

STANFORD G. ROSS, Trustee

DAVID M. WALKER, Trustee

SHIRLEY S. CHATER, Commissioner  
of Social Security, and Secretary,  
Board of Trustees