February 10, 2016

The Honorable Sam Johnson
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Johnson:

I am writing in response to your request for an estimate of the financial effects on Social Security of the proposal included in the President's Fiscal Year 2017 Budget applying a fee on petroleum products purchased in the U.S. The fee is part of the President's *21st Century Clean Transportation Plan*. We have not included the effects of other components of the plan in our estimates.

As described in the Budget, this proposal would phase in over the 6 years FY 2017 through FY 2022 a fee on petroleum products purchased in the U.S. equivalent to $10.25 per barrel of crude oil. Our understanding is that the fee would be assessed to the producer of the finished goods (gasoline, motor oil, etc.) to be sold in the U.S. and would be remitted to the General Fund of the Treasury. We estimate that this fee would result in an additional increase in the all-items Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) of about 1 percent in total over the 6 years the fee is phased in. This increase in CPI-W would result in increases in Social Security COLAs for December 2017 through December 2022 totaling 1 percent more than if the fee were not enacted.

We estimate that the increase in the COLAs due to enactment of this proposal would increase Old Age, Survivors, and Disability Insurance (OASDI) benefit payments in years through FY 2026 by a total of about $50 billion Table 1, enclosed, provides annual and summarized long-range estimates of the effects of this proposal on OASDI actuarial status. Over the long-range period, we estimate that enactment of this provision would increase the long-range OASDI actuarial deficit by 0.03 percent of payroll. All estimates provided here are based on the intermediate assumptions of the 2015 Trustees Report.

We have consulted with staff at the Office of Management and Budget and the Department of the Treasury to gain a full understanding of the intent of this proposal. Individuals in our Office of the Chief Actuary who were instrumental in developing our estimates include Karen Glenn, Bob Weathers, Christopher Chaplain, Anthony Cheng, and Sven Sinclair.

We hope this analysis will be helpful. Please let me know if we may provide further assistance.

Sincerely,

Stephen C. Goss
Chief Actuary

Enclosure

Table 1 - OASDI Cost Rate, Income Rate, Annual Balance, and Trust Fund Ratio

Estimated Effect of Proposal in the President's FY2017 Budget to Phase in a Fee on Petroleum Products Purchased in the U.S. that Would Increase COLAs
for December 2017 through December 2022 by a Total of About 1 Percent

	Proposal				Change from Present Law		
	Expressed as a percentage of present-law taxable payroll			Trust Fund Ratio	Expressed as a percentage of present-law taxable payroll		
Year	Cost Rate	Income Rate	Annual Balance	1-1-year	Cost Rate	Income Rate	Annual Balance
2015	14.13	12.82	-1.31	308	0.00	0.00	0.00
2016	13.88	12.88	-1.00	298	0.00	0.00	0.00
2017	13.89	12.91	-0.98	280	0.00	0.00	0.00
2018	13.99	12.94	-1.05	264	0.02	0.00	-0.02
2019	14.13	12.95	-1.18	247	0.04	0.00	-0.04
2020	14.29	12.97	-1.33	232	0.07	0.00	-0.06
2021	14.43	12.99	-1.45	216	0.09	0.00	-0.08
2022	14.63	13.02	-1.61	201	0.11	0.00	-0.10
2023	14.85	13.04	-1.82	185	0.13	0.01	-0.12
2024	15.08	13.07	-2.02	169	0.13	0.01	-0.12
2025	15.29	13.09	-2.20	153	0.12	0.01	-0.12
2026	15.48	13.10	-2.38	137	0.12	0.01	-0.11
2027	15.67	13.12	-2.55	120	0.11	0.01	-0.11
2028	15.86	13.13	-2.72	104	0.11	0.01	-0.10
2029	16.03	13.15	-2.88	87	0.10	0.01	-0.10
2030	16.19	13.16	-3.03	70	0.09	0.00	-0.09
2031	16.33	13.17	-3.16	52	0.09	0.00	-0.08
2032	16.46	13.18	-3.28	34	0.08	0.00	-0.08
2033	16.56	13.19	-3.37	14	0.08	0.00	-0.07
2034	16.62	13.19	-3.43	----	0.07	0.00	-0.07
2035	16.69	13.20	-3.49	----	0.07	0.00	-0.06
2036	16.74	13.21	-3.53	----	0.06	0.00	-0.06
2037	16.77	13.21	-3.56	----	0.06	0.00	-0.05
2038	16.78	13.21	-3.57	----	0.05	0.00	-0.05
2039	16.77	13.22	-3.56	----	0.05	0.00	-0.04
2040	16.75	13.22	-3.54	----	0.04	0.00	-0.04
2041	16.73	13.22	-3.51	----	0.04	0.00	-0.04
2042	16.70	13.22	-3.48	----	0.03	0.00	-0.03
2043	16.67	13.22	-3.45	----	0.03	0.00	-0.03
2044	16.64	13.22	-3.43	----	0.03	0.00	-0.02
2045	16.62	13.22	-3.40	----	0.02	0.00	-0.02
2046	16.59	13.22	-3.38	----	0.02	0.00	-0.02
2047	16.58	13.22	-3.36	----	0.02	0.00	-0.02
2048	16.56	13.22	-3.34	----	0.01	0.00	-0.01
2049	16.55	13.22	-3.33	----	0.01	0.00	-0.01
2050	16.55	13.22	-3.33	----	0.01	0.00	-0.01
2051	16.56	13.22	-3.34	----	0.01	0.00	-0.01
2052	16.58	13.22	-3.36	----	0.01	0.00	-0.01
2053	16.61	13.23	-3.38	----	0.01	0.00	-0.01
2054	16.65	13.23	-3.42	----	0.00	0.00	0.00
2055	16.69	13.23	-3.46	----	0.00	0.00	0.00
2056	16.74	13.24	-3.51	----	0.00	0.00	0.00
2057	16.80	13.24	-3.55	----	0.00	0.00	0.00
2058	16.85	13.24	-3.60	----	0.00	0.00	0.00
2059	16.90	13.25	-3.65	----	0.00	0.00	0.00
2060	16.95	13.25	-3.70	----	0.00	0.00	0.00
2061	17.01	13.26	-3.75	----	0.00	0.00	0.00
2062	17.06	13.26	-3.80	----	0.00	0.00	0.00
2063	17.11	13.26	-3.85	----	0.00	0.00	0.00
2064	17.16	13.27	-3.90	----	0.00	0.00	0.00
2065	17.22	13.27	-3.95	----	0.00	0.00	0.00
2066	17.27	13.27	-4.00	----	0.00	0.00	0.00
2067	17.33	13.28	-4.05	----	0.00	0.00	0.00
2068	17.39	13.28	-4.11	----	0.00	0.00	0.00
2069	17.45	13.28	-4.16	----	0.00	0.00	0.00
2070	17.50	13.29	-4.21	----	0.00	0.00	0.00
2071	17.55	13.29	-4.26	----	0.00	0.00	0.00
2072	17.60	13.29	-4.30	----	0.00	0.00	0.00
2073	17.63	13.30	-4.34	----	0.00	0.00	0.00
2074	17.66	13.30	-4.36	----	0.00	0.00	0.00
2075	17.68	13.30	-4.38	----	0.00	0.00	0.00
2076	17.70	13.30	-4.40	----	0.00	0.00	0.00
2077	17.70	13.30	-4.40	----	0.00	0.00	0.00
2078	17.71	13.30	-4.40	----	0.00	0.00	0.00
2079	17.71	13.30	-4.40	----	0.00	0.00	0.00
2080	17.71	13.30	-4.41	----	0.00	0.00	0.00
2081	17.71	13.30	-4.41	----	0.00	0.00	0.00
2082	17.73	13.30	-4.42	----	0.00	0.00	0.00
2083	17.75	13.30	-4.44	----	0.00	0.00	0.00
2084	17.78	13.31	-4.47	----	0.00	0.00	0.00
2085	17.81	13.31	-4.50	----	0.00	0.00	0.00
2086	17.85	13.31	-4.54	----	0.00	0.00	0.00
2087	17.89	13.31	-4.57	----	0.00	0.00	0.00
2088	17.93	13.32	-4.61	----	0.00	0.00	0.00
2089	17.97	13.32	-4.65	----	0.00	0.00	0.00
2090	18.01	13.32	-4.69	----	0.00	0.00	0.00

Summarized Rates: OASDI

	Cost Rate	Income Rate	Actuarial Balance	Year of reserve depletion[1]
2015 - 2089	16.58%	13.87%	-2.72%	2033

Summarized Rates: OASDI

	Change in Cost rate	Change in Income Rate	Change in Actuarial Balance
	0.04%	0.00%	-0.03%

Based on Intermediate Assumptions of the 2015 Trustees Report

[1] Under present law the year of Trust Fund reserve depletion is 2034

Office of the Chief Actuary
Social Security Administration
February 10, 2016