Testimony of Marc Goldwein
Committee for a Responsible Federal Budget
Hearing before the Senate Committee on Finance
"Exploring Process Approaches for Addressing Social Security Solvency"
August 5, 2026

Chairman Crapo, Ranking Member Wyden, and distinguished Members of the Senate Committee on Finance:

Thank you for the opportunity to testify today at this hearing, "Exploring Process Approaches for Addressing Social Security Solvency." I am Marc Goldwein, senior vice president and senior policy director of the Committee for a Responsible Federal Budget, a nonpartisan, non-profit organization focused on fiscal issues.

I would like to applaud the Senate Finance Committee for bringing attention to the challenges facing Social Security. Social Security is the nation's largest federal program and largest retirement program, spending over $1.6 trillion this year to help support 70 million seniors, dependents, survivors, and disabled workers.

Unfortunately, the Social Security Old-Age and Survivors Insurance (OASI) trust fund faces large structural shortfalls and is projected to be insolvent in 2032. At that point, benefits would be limited to revenues, resulting in a 22% across-the-board cut. A similar cut today would reduce benefits by an average of $500 a month.

Time is running out to save Social Security. As a student of past Social Security reform efforts who served on the senior staff of the Simpson-Bowles *Fiscal Commission* and Hensarling-Murray *Super Committee*, I would like to use my testimony to encourage you to consider establishing a special bipartisan process to help reach agreement on a solvency package before it is too late.

In this testimony, I explain:

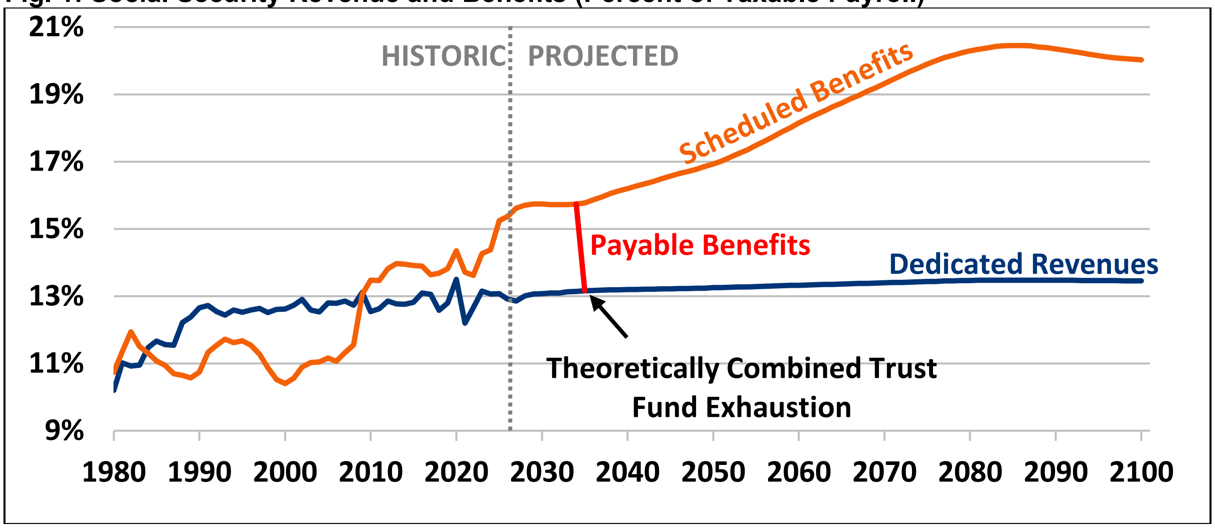
- Social Security is only **six years** from insolvency, and significant adjustments are needed to avoid deep and abrupt benefit cuts.
- Restoring solvency can improve the nation's fiscal outlook, promote economic growth, bolster incomes, and strengthen retirement security.
- Avoiding insolvency with general revenue transfers or leveraged investments would be a costly mistake that could add **$190 trillion+** to the national debt.
- Novel solutions are available to restore Social Security's solvency.
- A special process can help pave the way for Social Security solvency.

Leaders will have to put aside partisanship and work together to save Social Security. That's how we did it in 1983, and it is what we must do now.[1]

Social Security Faces a Looming Insolvency Crisis

Social Security is in serious financial trouble. The program spends more than it collects in revenue, and costs are slated to continue to grow as the population ages. The resulting deficits are projected to deplete the retirement trust fund's reserves by 2032, when the upcoming class of senators and the next President are in office. Reallocating from the disability fund would only delay insolvency to 2034.

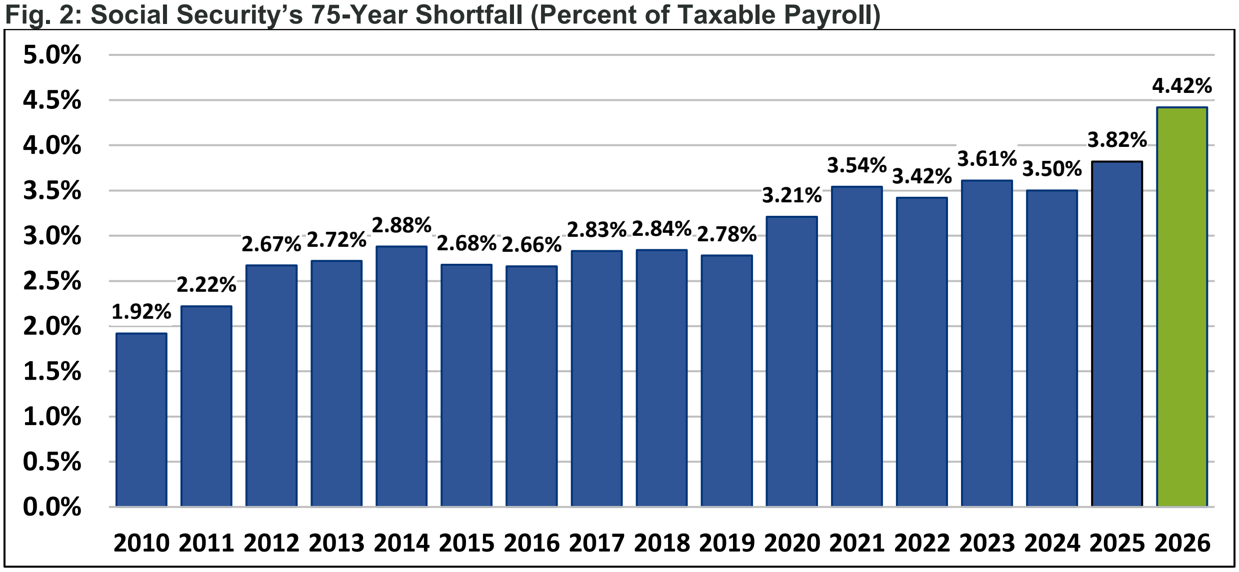
Fig. 1: Social Security Revenue and Benefits (Percent of Taxable Payroll)



Source: Social Security Administration.

Over the next 75 years, Social Security faces an actuarial shortfall of 4.4% of taxable payroll or 1.5% of Gross Domestic Product (GDP) – that's more than twice as high as was projected just 15 years ago. Closing this gap today would require the equivalent of an immediate 25% benefit cut or a 34% tax increase. Adjustments will need to be one-sixth larger if we wait until insolvency.

Fig. 2: Social Security's 75-Year Shortfall (Percent of Taxable Payroll)



Source: Social Security Administration.

Social Security Beneficiaries Face Deep and Immediate Cuts Under the Law

The Social Security retirement fund is less than six years from insolvency, when today's 61-year-olds reach their Normal Retirement Age and when today's youngest retirees turn 68. Because current law prohibits the trust fund from paying out more than it has collected in revenue (plus accrued interest), those retirees will face a deep and abrupt benefit cut.

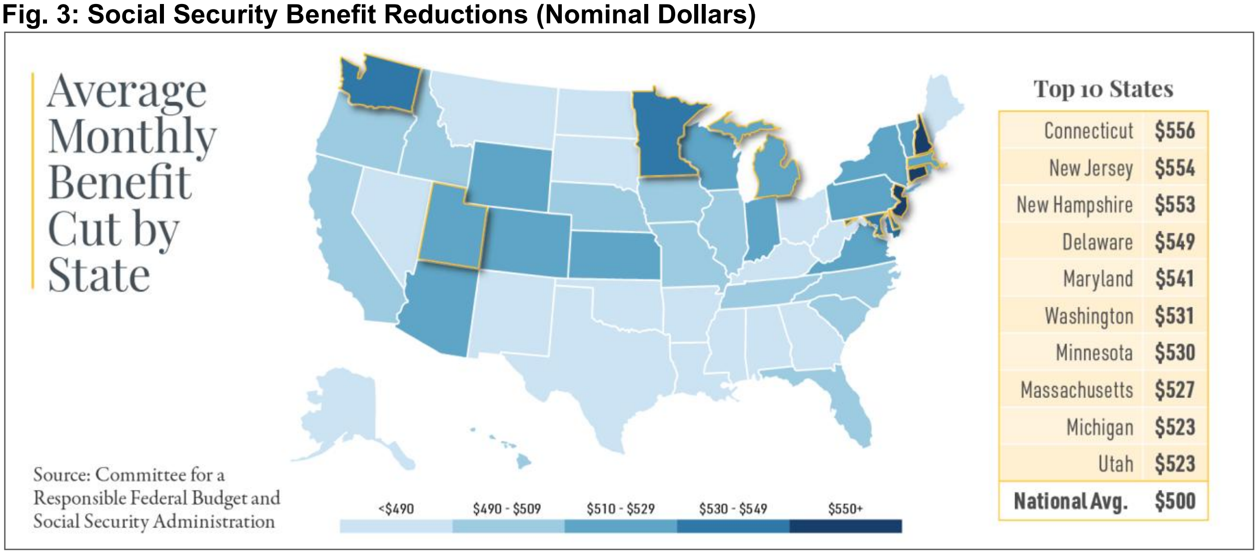
Said another way, Social Security cannot pay full scheduled benefits to most *current* retirees, let alone future retirees, without Congressional action.

Based on projections from the 2026 Social Security Trustees' Report, insolvency will lead to a 22% benefit cut in late 2032, growing to 35% by 2100. The Congressional Budget Office (CBO), similarly, estimates beneficiaries will face a 28% benefit cut in the first few years after insolvency.

To illustrate the magnitude of this cut, the Committee for a Responsible Federal Budget recently released a report, No State Spared, which estimated how a cut of roughly this size would impact beneficiaries if imposed today in an across-the-board manner.[2]

On average, we found beneficiaries will face a *$500 per beneficiary cut to their monthly benefits*, which is more than the average retired household spends on groceries each month.

Fig. 3: Social Security Benefit Reductions (Nominal Dollars)



These results would differ by state, ranging from $459 to $556. Retirees in Connecticut, New Jersey, New Hampshire, Delaware, and Maryland would face the largest monthly reductions.

These monthly reductions add up to very large cuts, totaling more than 1% of GDP at the national level, with the state impact ranging from 0.2% to 1.9% of GDP. Cuts would total 1.7% to 1.9% of GDP in West Virginia, Mississippi, Vermont, South Carolina, and Maine.

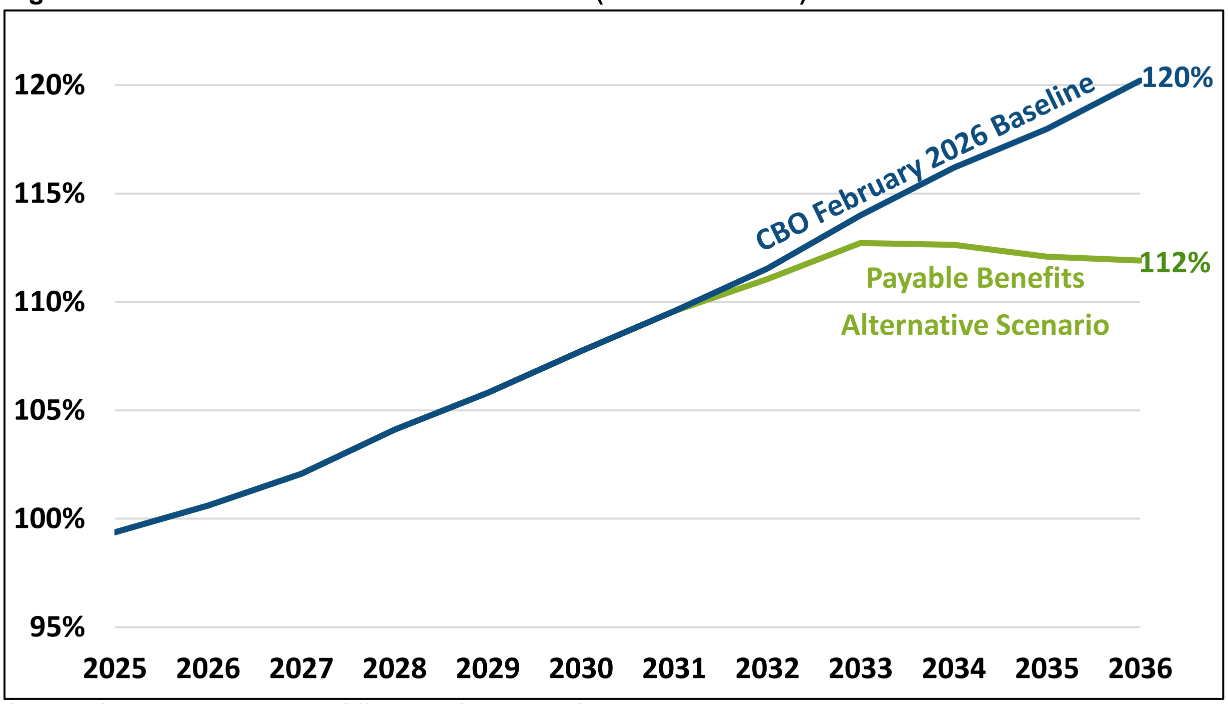
Social Security Solutions Can Help Stabilize the Nation's Fiscal Outlook

Avoiding a deep and abrupt benefit cut and securing the program for future generations will require bringing Social Security's revenues and costs into line. Doing so would also help to put the national debt on a sustainable path.

Debt currently stands at about 100% of GDP, roughly twice the 50-year historic average and higher than at any time in history except for a brief period after World War II. Under the latest CBO baseline, debt is projected to rise to 120% by Fiscal Year (FY) 2036 and 175% of GDP by 2056 – an unprecedented level that could cause a fiscal crisis or have serious adverse economic, financial, and national security consequences.

Importantly, CBO's baseline – as required by law – assumes Social Security will continue to pay scheduled benefits after its trust funds become insolvent. Under CBO's alternative "payable benefits" scenario, which assumes Social Security's benefits are limited to incoming revenues after trust fund exhaustion, debt would stabilize at around 112% of GDP between FY 2032 and 2036. Debt would likely grow again over the long run but at a much slower pace than before 2032.

Fig. 4: Federal Debt Under Different Scenarios (Percent of GDP)



Source: Congressional Budget Office and Committee for a Responsible Federal Budget.

The debt outlook would be improved even more by also securing the Highway and Medicare Hospital Insurance trust funds, as well as enacting thoughtful solvency plans that begin to phase in earlier, maintain a modest amount of trust fund reserves, and incorporate pro-growth elements to promote work, savings, and investment. We previously estimated such a package would put debt on a downward path toward 100% of GDP by 2060.

Social Security Reform Can Grow the Economy and Boost Incomes

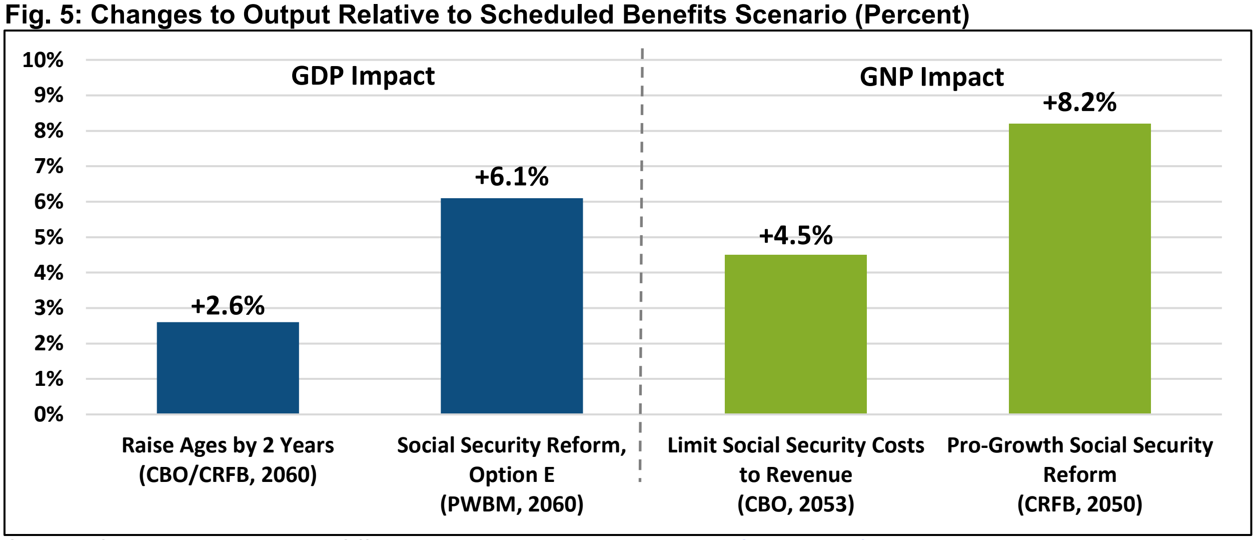
In addition to securing benefits and improving the fiscal outlook, Social Security reform can meaningfully improve economic growth. Social Security is the nation's largest federal program and its largest retirement program, and Social Security's payroll tax is the largest tax paid by most Americans. The program also provides strong incentives and signals that influence how, how much, and when people work, save, invest, and retire.

Even blunt and abrupt efforts to restore solvency can grow the economy over time. CBO estimates that under their "payable benefits" scenario, real output would be **1% higher** by FY 2036 – just four years after insolvency – as a result of lower deficits and increased incentives to work and save. A previous CBO analysis of this scenario found Gross National Product (GNP) would be **4.5% higher** after 30 years.

More thoughtful reforms could generate additional economic growth while causing far less disruption. For example, a 2012 CBO analysis suggests that simply raising the major Social Security and Medicare ages by two years would boost output by 2.6% by 2060.

More recently, Penn Wharton Budget Model estimated the economic impact of several Social Security reform packages that go most of the way to solvency through a combination of revenue and benefit adjustments, finding they would boost GDP by 2% to 6%.

Fig. 5: Changes to Output Relative to Scheduled Benefits Scenario (Percent)



Source: Congressional Budget Office, Penn Wharton Budget Model, Committee for a Responsible Federal Budget.

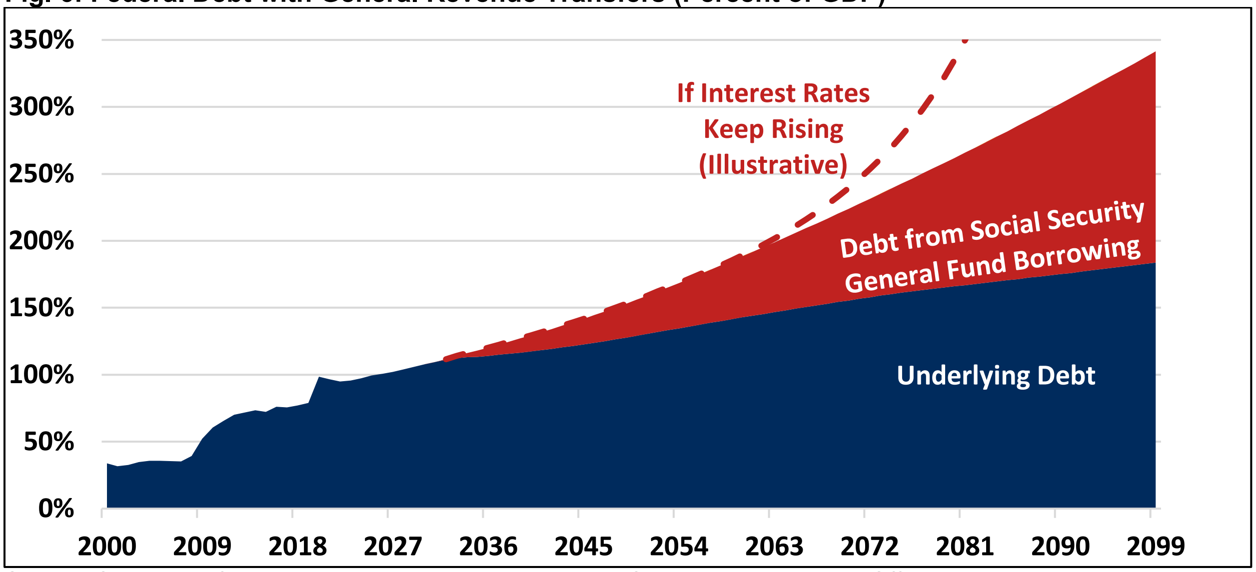
A package specifically focused on growing the economy could potentially offer an even larger boost. In 2019, my colleagues Maya MacGuineas and Chris Towner co-authored a pro-growth Social Security framework with me that included measures specifically designed to restore solvency, promote work, encourage delayed retirement, and increase savings. We estimated this framework would boost real GNP growth by **more than 8%** – about 0.25% per year. By 2050, this would be the equivalent of a $10,000 increase in per-person income.

Borrowing to Restore Solvency Would Be a Costly Mistake

Rather than enact the necessary revenue and benefit adjustments to restore solvency, some have instead suggested an explicit or implicit debt-financed general revenue transfer to paper over the shortfall. One recent proposal would go further by also borrowing to fund new stock market investments to retroactively finance Social Security's 75-year shortfall. These approaches would be incredibly costly and involve significant economic, financial, fiscal, and political risks.

Funding Social Security's shortfall with general revenues would require borrowing roughly ***$190 trillion*** on a real (inflation-adjusted) basis, or **$840 trillion** on a nominal basis, over 75 years. This is the equivalent of **165% of GDP** – more than 1.6 times all the debt owed today. Such high levels of borrowing would slow economic growth, push up interest rates, and likely spark a debt spiral**.** It would also end Social Security's long-standing status as a contributory and internally financed program, which could create additional political risks for both the budget and the program.

Fig. 6: Federal Debt with General Revenue Transfers (Percent of GDP)



Source: Committee for a Responsible Federal Budget and Congressional Budget Office.

The bipartisan *Sovereign Debt Fund (SDF)* proposal to borrow an additional $1.5 trillion to invest in the stock market would be even more harmful. This approach would borrow *even more* than general funding alone and could open the door to further borrowing in the future.

Although the plan hopes to generate enough investment gains to ultimately pay back its borrowing, such a gamble could put the budget and the program at immense risk. While stocks do generally grow faster than bonds, the higher returns come with higher risk. Two recent analyses of this plan found that even under the most optimistic assumptions, returns would fall short around 70% of the time – and these estimates assume the market continues to grow at recent strength and that the investment fund is left alone for 75 years with no political interference. The *SDF* plan would also push up interest rates, reduce returns on pensions and retirement accounts, create new risks for Social Security and the budget, and perhaps even spark a debt crisis.

Novel Solutions Can Help Save Social Security

Social Security could and should have been brought into balance decades ago. There are literally dozens of well-known ideas to slow Social Security cost growth and improve revenue collection. Unfortunately, many of these ideas have become politicized, and most were developed decades ago and thus don't reflect recent changes in the economy nor our shortened runway for action.

The Committee for a Responsible Federal Budget recently launched a ***Trust Fund Solutions Initiative*** to supplement the existing library of options with a series of novel solutions to not only help improve solvency, but also promote economic growth, strengthen retirement security, enable continued work, improve seniors' health, and fix the country's finances.

Some of the solutions we have developed so far include:

- ***Employer Compensation Tax (ECT)*** – This option replaces the employer-side payroll tax with a broad-based tax on all compensation costs – including wages and fringe benefits like employer-sponsored insurance contributions. The *ECT* would close **over half** of the Social Security and Medicare solvency gaps, with 80% of the revenue coming from the top fifth of workers while improving tax efficiency, putting downward pressure on health care costs, and keeping marginal tax rates lower than alternative revenue options.
- ***COLA Cap*** – This option limits Cost-of-Living Adjustments (COLAs) for the wealthiest seniors, matching their annual benefit increases to those of lower, but still high, income seniors. The policy would close up to **one-quarter** of the solvency gap in a progressive manner while maintaining inflation protection on an adequate level of benefit for everyone and avoiding work disincentives or nominal benefit cuts.
- ***Six Figure Limit*** – Two very high-income earners retiring at age 67 can now collect over $100,000 in annual benefits. This option caps benefits at $100,000 for a couple and $50,000 for a single retiree, with adjustments based on collection age. The policy could close **one-fifth** to **one-half** of the solvency gap, depending on how it is indexed over time, while significantly increasing progressivity and boosting payable benefits for most retirees.
- ***Taxation of Benefits Reforms*** – Social Security benefits are partially subject to the income tax through a poorly-designed system that generates important revenue but also adds unnecessary complexity, discourages work, and fails to achieve tax neutrality. Thoughtful reforms can *improve*, rather than repeal, taxation of benefits in order to advance simplicity, neutrality, efficiency, and progressivity and strengthen solvency and economic growth.
- ***Earn-As-You-Go*** – Social Security's current benefit structure – which applies a progressive formula to the average of a worker's highest 35 years of wages – discourages work and obscures the relationship between wages and benefits. An Earn-As-You-Go formula treats all years of work equally and allows workers to accrue higher benefits each year, promoting work and progressively closing up to **40%** of the solvency gap.

We are also developing other novel ideas, including increases in the retirement age with protections for vulnerable seniors, expansions of coverage, improvements to the self-employment tax, and changes to the structure of early retirement benefits.

A Special Process Can Help Pave the Way for Social Security Solvency

The Finance and Ways & Means Committees are instrumental to Social Security policymaking. Yet history tells us that policy change often happens through a variety of formal and informal pathways. Lawmakers should consider appointing or assigning a commission, advisory council, or another body to assist the committees of jurisdiction in their efforts to save Social Security.

There is historic precedent to this approach. ***From Social Security's origin, the most significant Social Security laws were all developed with the help of commissions or advisory councils.***[3]

The original 1935 Social Security Act was designed by Frances Perkins' Committee on Economic Security, while major amendments in 1939 and 1950 came from the 1937-38 and 1947-48 Advisory Councils. The 1977 Social Security reforms to fix the program's broken benefit formula came largely from the work of the 1974-75 Quadrennial Advisory Council, while the 1983 reforms that restored the program to solvency for 50 years were largely developed and revised through the bipartisan Greenspan Commission. More recently, the 1994-96 Quadrennial Advisory Council, the 1994 Kerrey-Danforth Commission, the 2001 President's Commission to Strengthen Social Security, and the 2010 Simpson-Bowles Fiscal Commission (of which I served as senior staff) all played a role in advancing the Social Security solvency debate.

Over the years, Congress has established hundreds of commissions, advisory councils, and other groups focused on everything from consumer product safety to planning the future of civilian space programs. Those that succeed do so in all different ways. Some, like the Base Realignment and Closure (BRAC) commission, had their recommendations enacted in full. Others, like the Greenspan Commission, helped facilitate high-level negotiations (in this case between President Reagan and Speaker O'Neill). And others, like the 9/11 commission, developed recommendations for Congress and the President to implement piecemeal based on their own policy judgment.

Commissions and related entities don't force action, but they can create an environment in which action is more likely to occur. The most successful commissions are those that establish a safe space for bipartisan negotiation and opportunities for bipartisan cooperation. These useful deliberative processes give participants time and space to narrow disagreements, test policy options, educate key audiences, explore compromises, and translate negotiations into legislation. In doing so, they can draw on lawmakers, experts, and affected stakeholders, and operate with support from Congressional and executive branch leaders.

Deadlines and defined procedures can provide a clear path from deliberation to legislative action. Fast-track processes need not and should not remove the public's opportunity to be informed of and weigh in on major policy changes, nor should they circumvent Congress's responsibility to consider and vote on legislation. Instead, they should help facilitate those discussions and actions.

Social Security is especially well suited for one of these special processes. Restoring solvency will require difficult choices about revenues, benefits, retirement policy, and the treatment of different generations and income groups. It is likely that any reform – and certainly durable reform – will require bipartisan support. A structured process can help lawmakers establish shared facts, draw on technical expertise, hear from workers and beneficiaries, and navigate tradeoffs before insolvency forces more limited and abrupt choices.

And indeed, several bipartisan bills exist that offer different procedural models.

The PROMISE Act was introduced by Senator Dick Durbin (D-IL) along with Senators Bill Cassidy, M.D. (R-LA), Tim Kaine (D-VA), Thom Tillis (R-NC), Angus King (I-ME), John Cornyn (R-TX), Chris Coons (D-DE), and Alan Armstrong (R-OK). The bill would direct the bipartisan Social Security Advisory Board (SSAB) – the successor of the old Quadrennial Advisory Councils – to submit a base bill providing at least 50 years of solvency. The Senate Finance Committee and House Ways and Means Committee could hold hearings and amend the proposal. If they did not report it, the bill would be discharged for floor consideration, where Members could offer substitute amendments that also achieve at least 50 years of solvency.

The Bipartisan Social Security Commission Act, led by Representatives Tom Cole (R-OK) and Tom Suozzi (D-NY), would create a 13-member bipartisan commission to recommend legislation achieving 75-year solvency. Recommendations supported by the required bipartisan majority would receive expedited Congressional consideration.

Meanwhile, the Fiscal Commission Act is led in the House by Representatives Bill Huizenga (R-MI) and Scott Peters (D-CA), co-chairs of the Bipartisan Fiscal Forum, and in the Senate by Senators John Curtis (R-UT) and Angus King (I-ME). The bill would create a 16-member commission to recommend legislation to stabilize the debt and improve trust fund solvency. The Sustainable Budget Act, led by Representatives Ed Case (D-HI) and Steve Womack (R-AR), and the Budgeting for a Better America Act, led by Representatives Womack, Case, Huizenga, and Peters, include similar broad fiscal commissions.

In previous Congresses, CRFB board members and former Senators Romney (R-UT) and Manchin (I-WV) introduced the TRUST Act, which would have created rescue committees for any trust fund facing near-term insolvency and expedited consideration in Congress of recommendations receiving a majority vote, including at least two members of each party. Notably, in 2021, 71 senators supported a budget resolution amendment in the spirit of the TRUST Act.

All of these bills are worth supporting. Of course, none guarantee success. But neither does the current process. We should measure likelihood of success relative to the real-world alternative, not hold these commissions to standards well above those we expect from the status quo.

Importantly, none of these processes diminish the ability or need of the Senate Finance Committee or the House Ways and Means Committee to develop and advance Social Security or other legislation. Rather, these processes create an additional venue to help lawmakers come together to begin the hard work of saving Social Security.

Conclusion

I have spent my entire career working to advance the goal of saving Social Security. When I began 20 years ago, we had a quarter century to save the program – enough time to debate, deliberate, and phase adjustments in over two generations. At that time, Democrats and Republicans broadly agreed on the need to act and disagreed mainly on the proportion of the solution that should come from the revenue versus cost side of the ledger.

Two decades later, we no longer have the luxury of time. Yet with insolvency rapidly approaching, action on solutions is not keeping up with the urgent need for solutions. If this trend is not soon reversed, our grandparents and grandchildren will both pay the price.

Thank you to the Members of this Committee for your efforts to revive attention to this critically important issue. With six years until the retirement trust fund is exhausted, we are running out of time, and all possible solutions need to be on the table.

I would like to respectfully request and encourage the Finance Committee to continue its important work, holding hearings and developing legislation to save Social Security.

In addition, I suggest you establish a special process to give deliberations a less political space that will allow policymakers to develop, socialize, and debate thoughtful proposals, seek public input, and build the bipartisan and bicameral common ground needed to restore solvency.

Whether we rely on the Advisory Board as in 1977, a commission like in 1983, or some other mechanism, we need to find a way to bring the parties together to make the tough choices. As President Reagan said when he signed the landmark 1983 reform, "the essence of bipartisanship is to give up a little in order to get a lot." Restoring Social Security to solvency and protecting our grandparents from an abrupt 22% benefit cut would certainly be getting a lot.

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[1] This testimony is adapted from our Statement for the Record for the Senate Finance Committee regarding the June 24, 2026 "Future of Social Security" hearing.

[2] The report actually modeled a 24% benefit cut, based on the 2025 Trustees' report, adjusted for enactment of the One Big Beautiful Bill Act (OBBBA).

[3] The history of Social Security advisory councils and commissions and their impact on the program is found in Research Note #13 by the Social Security Administration's Historian's Office.