Senate Committee on Finance
U.S. Senator Orrin Hatch (R-UT), Ranking Member
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May 10, 2011 (202) 224-4515

HATCH STATEMENT AT FINANCE COMMITTEE HEARING EXAMINING THE IMPACT OF SOCIAL SECURITY ON THE FEDERAL BUDGET

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following opening statement at a committee hearing examining the impact of Social Security on the federal budget:

Mr. Chairman, thank you for calling this morning's hearing. It is the third in a series Finance Committee hearings designed to address deficit reduction efforts as they relate to the committee's broad jurisdiction.

Today's topic is Social Security. What role does it play in our current fiscal calamity? What role, if any, should it play in moving the federal government out of the deficit and debt ditch it is in.

A few weeks ago, that sometime political philosopher and full time comedian, Jay Leno, discussed Social Security.

Mr. Leno said: *It's the 75th anniversary of the introduction of Social Security checks. For the younger viewers who don't know what a Social Security check is, you'll never see one in your lifetime, so don't worry about it.*

The latest Social Security Trustees' Report tells us that the program will be insolvent by the year 2037. That's about 25 years from now. If you assume the current retirement age of 67 sticks, it would mean that the *younger viewers* Mr. Leno is talking to are 42 years and younger. For all of you Americans, 42 years of age or younger, if the Social Security remains as is, *FAW GED UH BOWED IT*, as New Yorkers say. Twenty five years from now may seem like a long way away. As the old saying goes, in politics, a year can seem like eternity.

By the way, I don't know how folks look their constituents aged 42 or under in the eye and say there's no problem. Or, for that matter, how do folks look their constituents even over 42, who hope to still be alive in 2037, and say there's no problem?

So, let's be clear about this – there is a scheduled benefit reduction come 2037. This isn't just a problem of how to finance the benefits that are scheduled for 2037 and beyond. Rather, under current law, Social Security benefits are scheduled to have an approximate reduction of 24 percent in 2037. That's right – there will be a 24 percent reduction in Social Security benefits under current law.

Some might ask what's that got to do with the current fiscal picture? Take a closer look at the facts and figures from the last trustees' report. You'll find that a good chunk of the 25 years of delay of reckoning depends on a fundamental assumption.

For many years, the Social Security Trust Fund ran surpluses. Under the unified budget, those surpluses masked the size of the deficits the federal government was running. By law, the trust fund is made whole by the issuance of Treasury IOUs to the trust fund to reflect the surpluses and interest. In the late 1990s, under a Republican Congress and Democratic President, that trend reversed briefly, but returned back to normal under Congresses and Presidents of both parties.

Those notes can be serviced in only three ways. Those three ways are higher taxes, spending reductions, or more debt.

You can see that recent fiscal history shows a direct relationship between federal deficits, debt, and the trust fund. The Social Security Trust Fund surpluses reduced the apparent size of the deficit, but pressed up on the debt limit.

That all changed last year.

Last year, payroll taxes and other revenues were less than payments out of the Social Security Trust Fund. The trust fund ran a cash flow deficit for the first time since the major Social Security reform of 1983. We can sit here like the proverbial three monkeys.

One of us can place his hands over his eyes and say he sees no fiscal evil. Another of us can place her hands over her ears and say she hears no fiscal evil. Still another of us can place his hands over his mouth and mumble he says no fiscal evil.

To be sure, those IOUs sitting in the Parkersburg, West Virginia offices of the Treasury's Bureau of Public Debt are claims against the federal government. They've got to be paid. How will they be paid if the trust fund comes to rely on them?

If someone wants to tell me that question has nothing to do with the current deficits and debt, I think I've got a fine old bridge linking the boroughs of Manhattan and Brooklyn for you to purchase.

The trustees report is plain as day on the long-term fiscal problems with Social Security.

Social Security Trust Fund surpluses hid the magnitude of the damage of recent fiscal practices. With the trust fund reversing itself, the day of reckoning is drawing near.

That, Mr. Chairman, is why we are here.

We need to look at the role of Social Security with respect to the origins and continuous causes of the unsustainable deficits and debt.

It is only proper that this committee air these issues out.

It is only proper that this committee explore the options for Social Security solvency.

The President, so far, has missed the opportunity and does not make a bold commitment to entitlement reform and deficit reduction.

Social Security has been, once again, treated as the third rail of politics.

Unfortunately, eventually the financial electricity of that rail will run out if it is not reformed.

I look forward to the witnesses' testimony.

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