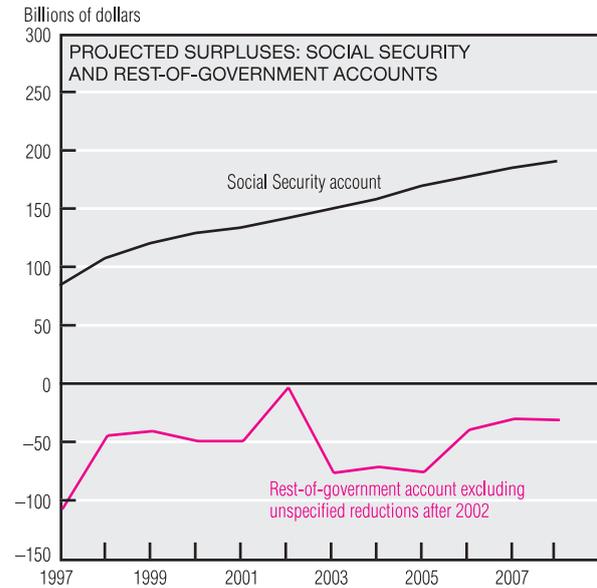
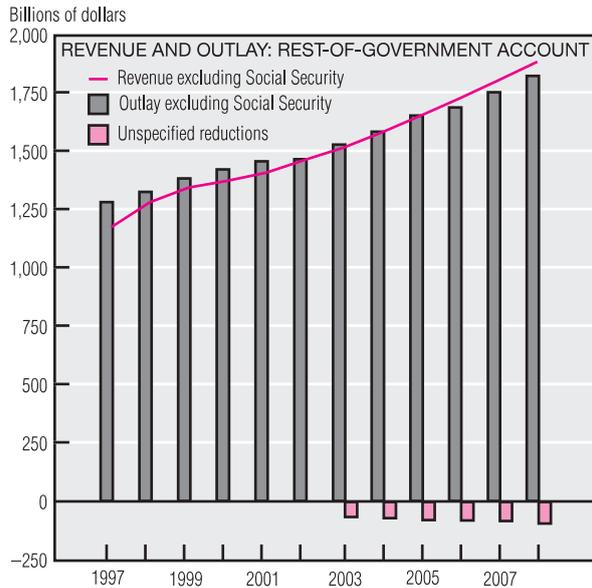
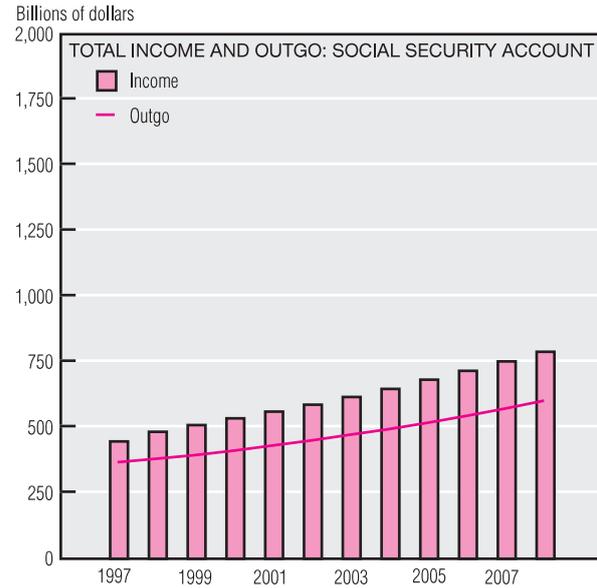
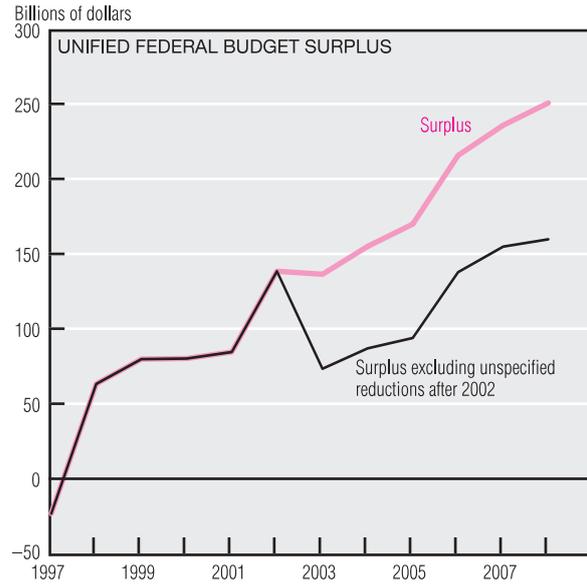


# The Federal Budget



NOTE: Data are for fiscal years.  
 SOURCES: Congressional Budget Office; and Social Security Administration.

In his State of the Union address, President Clinton urged that prospective budget surpluses be reserved for rescuing Social Security. At that time, the projected cumulative surplus for 1999–2008 was \$660 billion. The latest Congressional Budget Office projections show a cumulative surplus of \$1.6 trillion over the same period. One might be tempted to conclude that budget surpluses and the President’s exhortation to devote them to restoring Social Security’s solvency herald a more responsible fiscal policy. Unfortunately, such a conclusion would be premature.

The latest budget projections assume that caps will be extended through 2008 to keep federal discretionary spending constant in real terms. However, the 1997 amendment to the Balanced Budget and Emergency Deficit Control Act of 1985 extends these limits only through 2002. The post-2002 unspecified reductions built into the projections are quite large relative to the surpluses. For example, excluding the unspecified reductions drops the year-2008 unified surplus from \$251 billion to only \$160 billion.

Separating Social Security’s budget from the rest-of-government account shows that Social Security it-

self supplies more than the entire unified budget surplus. This surplus was designed to fund future Social Security benefits. If we exclude unspecified reductions after the year 2002, the rest-of-government account remains in deficit. According to the projections, there is no budget surplus exceeding that already reserved for funding future Social Security benefits. Unless discretionary spending limits are extended beyond 2002, the rest-of-government account will continue to siphon off part of Social Security’s annual surplus to finance its own shortfall through the next decade.