News from Senator

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RANGE OF OPTIONS EXIST TO SOLVE SOCIAL SECURITY FINANCING PROBLEMS

WASHINGTON -- With social security taxes rising to 6.65 percent on January 1, 1981, and with the average worker paying a total tax of $830 this coming year-- a $65 increase-- there is a good deal of concern about the Social Security system," says Senator Bob Dole (R.-Kansas).

However, Senator Dole assures concerned Social Security recipients and taxpayers that there are a range of options for solving the Social Security financing problem to 6.65 percent. "We will not be forced to eliminate benefits or further increase taxes in order to put the Social Security trust fund back on sound footings," said Dole. "There are a range of less painful options."

Chairman

As Chairman of the Senate Finance Committee in the 97th Congress, Dole will have a major responsibility to improve the financial status of the Social Security trust funds. The Old-Age and Survivors Insurance trust fund may have insufficient reserves to pay benefits in late 1981 or early 1982. Once the short-term financing problem is solved, scheduled tax increases in 1985 and beyond should keep the program solvent through about 2010 when the baby boom generation begins to retire. At that point, the combined trust fund (Old-Age and Survivors Insurance, Disability Insurance, and Hospital Insurance or Medicare) will be inadequate to cover benefits.

"It is my hope," stated Dole, "that the Administration will send Congress a Social Security financing package which addresses both the short and long-term financing problem. If we act on both problems now, we can avoid drastic benefit cuts or tax increases in the future."

Short Term

According to Dole, "In the short term, we can permit borrowing among the three trust funds; further reallocate the tax rate (as we did this year) to give more revenues to the OASI trust fund which is in worst financial shape; permit the trust funds to borrow from general revenues; provide grants to the trust fund from general revenues; enact universal coverage to include government and non-profit employees; or eliminate some benefits. Because we must act quickly and at the same time protect current beneficiaries and individuals near retirement, I believe borrowing, reallocation or some combination of the two represents the best approach."

Long Term

"There are more options for the long-range financing problem," said Dole, "because we have time to phase in changes. For example, we can put in place an entirely new benefit formula which will have the effect of slowing the rate of growth of Social Security benefits. At the same time, we can eliminate the retirement earnings test and provide bonuses to individuals who work beyond retirement age. Done right, this approach could save a lot of money while paying benefits to people who cannot put off retirement and rewarding people who can work longer for doing so. I think there is more appeal to such a comprehensive change than to a simple increase in the retirement age or a change in the indexing provision."

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