Congressional Budget Office
Cost Estimate

September 20, 2022

At a Glance

H.R. 82, Social Security Fairness Act of 2021

As ordered reported by the House Committee on Ways and Means on September 20, 2022

By Fiscal Year, Millions of Dollars	2022	2022-2027	2022-2032
Direct Spending (Outlays)	0	89,965	182,820
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	89,965	182,820
Spending Subject to Appropriation (Outlays)	0	0	0

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
		Contains intergovernmental mandate?	Excluded from UMRA
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2033?	No	Contains private-sector mandate?	Excluded from UMRA

The bill would

- Eliminate the Windfall Elimination Provision (WEP), which reduces Social Security benefits for certain retired and disabled workers who receive pensions for work that is not covered by the Social Security system
- Eliminate the Government Pension Offset (GPO), which reduces Social Security benefits for certain spouses and surviving spouses who receive pensions for work that is not covered by the Social Security system

Estimated budgetary effects would stem from

- Paying larger Social Security benefits to people who are subject to the WEP and the GPO under current law
- Reducing benefits paid through the Supplemental Nutrition Assistance Program in response to the larger Social Security benefits paid to some people who receive benefits through both programs

Areas of significant uncertainty include

- Predicting how many people will be subject to the WEP and the GPO under current law
- Projecting the size of benefit reductions attributable to the WEP and the GPO under current law

Detailed estimate begins on the next page.

Bill Summary

H.R. 82 would amend title II of the Social Security Act to eliminate the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). Those provisions reduce Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) benefits for people who also are eligible for benefits from certain other pension plans. The change would take effect for benefits payable starting in January 2022.

Estimated Federal Cost

The estimated budgetary effect of H.R. 82 is shown in Table 1. The costs of the legislation fall within budget functions 600 (income security) and 650 (Social Security).

Basis of Estimate

For this estimate, CBO assumes that the bill will be enacted near the beginning of fiscal year 2023. Because H.R. 82 would increase benefits beginning in January 2022, CBO assumes that higher benefits owed for the months before enactment would be paid retroactively mostly in fiscal year 2023, with some paid in fiscal year 2024. After that, benefits would be paid in the fiscal year in which they are due. This estimate is based primarily on CBO's analysis of historical data on WEP and GPO recipients and on projections of the adjustments to their benefits under current law.

Background

The WEP reduces benefits for retired or disabled workers who have fewer than 30 years of employment covered by Social Security if they also receive pensions based on noncovered employment. The GPO reduces the spousal or surviving spousal benefits of people who receive pensions based on noncovered employment.

The benefit formula for determining Social Security payments uses a worker's lifetime earnings from work covered by the Social Security system.[1] That formula generally applies three factors—90 percent, 32 percent, and 15 percent—to three brackets of a worker's average indexed monthly earnings (AIME), a measure of career average earnings in covered employment. (The AIME excludes noncovered earnings.) The result of applying the benefit formula to the AIME is the worker's monthly benefit before adjustments, known as the primary insurance amount (PIA).

Because the outlays of the Social Security trust funds are off-budget, most of the bill's effects would be off-budget. In addition, CBO estimates that the increase in Social Security benefits specified by the bill would result in a decline in SNAP benefits paid to people who receive benefits through both programs; changes in SNAP payments would be on-budget.

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1. For more information, see Congressional Budget Office, *Social Security Policy Options, 2015* (December 2015), "Benefit Formula," p. 13, www.cbo.gov/publication/51011.

Table 1.
Estimated Budgetary Effects of H.R. 82

By Fiscal Year, Millions of Dollars

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2022-2027	2022-2032
Increases or Decreases (-) in Direct Spending													
Eliminate the Windfall Elimination Provision (Off-budget)													
Estimated Budget Authority	0	11,840	9,270	8,130	8,250	8,350	8,420	8,470	8,490	8,440	8,380	45,840	88,040
Estimated Outlays	0	11,840	9,270	8,130	8,250	8,350	8,420	8,470	8,490	8,440	8,380	45,840	88,040
Eliminate the Government Pension Offset (Off-budget)													
Estimated Budget Authority	0	11,680	9,690	9,110	9,700	10,140	10,540	10,930	11,310	11,680	12,010	50,320	106,790
Estimated Outlays	0	11,680	9,690	9,110	9,700	10,140	10,540	10,930	11,310	11,680	12,010	50,320	106,790
Interaction Among Social Security Provisions (Off-budget)													
Estimated Budget Authority	0	-1,350	-1,060	-920	-940	-950	-960	-960	-960	-960	-950	-5,220	-10,010
Estimated Outlays	0	-1,350	-1,060	-920	-940	-950	-960	-960	-960	-960	-950	-5,220	-10,010
Total Off-Budget Direct Spending													
Estimated Budget Authority	0	22,170	17,900	16,310	17,010	17,540	18,010	18,440	18,840	19,160	19,440	90,930	184,820
Estimated Outlays	0	22,170	17,900	16,310	17,010	17,540	18,010	18,440	18,840	19,160	19,440	90,930	184,820
Supplemental Nutrition Assistance Program (On-budget)													
Estimated Budget Authority	0	-80	-225	-225	-220	-215	-215	-210	-205	-205	-200	-965	-2,000
Estimated Outlays	0	-80	-225	-225	-220	-215	-215	-210	-205	-205	-200	-965	-2,000
Total Changes in Direct Spending													
Estimated Budget Authority	0	22,090	17,675	16,085	16,790	17,325	17,795	18,230	18,635	18,955	19,240	89,965	182,820
Estimated Outlays	0	22,090	17,675	16,085	16,790	17,325	17,795	18,230	18,635	18,955	19,240	89,965	182,820

Components may not sum to totals because of rounding; SNAP = Supplemental Nutrition Assistance Program.
The outlays of the Social Security trust funds are classified as off-budget. SNAP outlays are classified as on-budget.

Eliminate the Windfall Elimination Provision

The Social Security monthly benefit formula is designed so that the PIA replaces a greater share of earnings for retirees who had lower earnings than it does for people who had higher earnings. The current-law formula makes no distinction between a low AIME because of low lifetime earnings and a low AIME because of noncovered earnings. The WEP is designed to remove the advantage of the benefit formula for people whose low AIME results from noncovered earnings.

For people whose pensions are based in part on noncovered work and who worked fewer than 30 years in the Social Security system, the WEP reduces the first factor of the AIME from 90 percent to an amount that ranges from 40 percent to 85 percent, depending on the number of years with substantial covered earnings. (The "substantial" threshold is indexed to average national earnings; in 2022, that amount is $27,300.) The reduction in Social Security benefits under the WEP is limited to half the amount of a pension that is based on noncovered earnings.

H.R. 82 would eliminate the WEP and raise the first factor to 90 percent for all workers who are subject to the current-law WEP, thus increasing Social Security spending. CBO used historical data to calculate that size of the affected group. According to CBO's analysis, the number of people newly receiving Social Security benefits and also subject to the WEP is declining and we expect that trend to continue. Because of that trend, the cost of enacting this provision begins to decline toward the end of the 2022-2032 period. Historical beneficiary data were used to calculate the average benefit reduction attributable to the WEP; projections of future reductions were based on that amount as adjusted for projected growth in benefits, including cost-of-living adjustments and growth in wages.

CBO estimates that eliminating the WEP would increase monthly benefits in December 2023 by $330, on average, for 2.0 million Social Security beneficiaries (about 3 percent of all Social Security beneficiaries); in December 2031, that increase would reach $410, on average, for 1.8 million beneficiaries.

In total, CBO estimates that repealing the WEP would increase off-budget direct spending by $88 billion over the 2022-2032 period.

Eliminate the Government Pension Offset

Under current law, the eligible spouse of a living retired or disabled worker is entitled to a monthly Social Security benefit that equals up to 50 percent of the worker's monthly benefit; a surviving spouse is entitled to the full amount. When spouses are eligible for benefits on the basis of their own covered earnings, their spousal benefit is reduced by that amount. (An individual's spousal benefit is reduced to zero if that person's own worker benefit is higher than the spousal benefit.)

Under current law, the GPO reduces spouses' or surviving spouses' Social Security benefits if they also receive a pension based on noncovered employment. That reduction is equal to two-thirds of the noncovered pension.

H.R. 82 would repeal the GPO, resulting in an increase in Social Security benefits paid to affected spouses and surviving spouses. CBO used beneficiary data to calculate the number of current beneficiaries subject to the GPO and the average reduction in benefits. Using historical growth rates, CBO projected the number of people who will be affected by the offset under current law. Under the bill, CBO expects some people in that category would newly apply for spousal or surviving spousal benefits, including those who might not apply under current law because the GPO would reduce or eliminate their Social Security benefits. Under H.R. 82, CBO estimates, an extra 80,000 people would receive spousal or surviving spousal benefits in December 2031.

CBO estimates that eliminating the GPO would increase monthly benefits in December 2023 by an average of $670 for 410,000 spouses and by an average of $1,150 for 370,000 surviving spouses; in December 2031, that increase would reach $840, on average, for 410,000 spouses and $1,560 for 430,000 surviving spouses. (About 1 percent of all Social Security beneficiaries would be affected by the change in December 2023.) We expect that the number of people affected by GPO will increase initially and then decline slightly toward the end of the 2022-2032 period; estimated costs continue to rise through that period because the increase in average benefits is greater than decrease in people affected by GPO. Those estimates include people who would newly apply because of the elimination of the current-law GPO.

In total, CBO estimates, repealing the GPO would increase off-budget direct spending by $107 billion over the 2022-2032 period.

Interaction Among Social Security Provisions

The benefits of a small group of people are affected by both the WEP and the GPO. CBO expects that the total cost of repealing both provisions—$195 billion over the 2022-2032 period—would be $10 billion less because of interactions between the two provisions.

Supplemental Nutrition Assistance Program

H.R. 82 would increase Social Security income for some people who also receive SNAP benefits, which are based on a formula that accounts for Social Security income. Higher monthly Social Security benefits would lead to lower SNAP benefits for some recipients. CBO estimates that under H.R. 82, spending for SNAP benefits would decrease by $2 billion over the 2022-2032 period. Those savings would be on-budget.

Uncertainty

CBO's estimate for H.R. 82 is subject to uncertainty related to the number of people over the 2022-2032 period who under current law will be subject to the WEP or the GPO. CBO's projections are based on historical trends, but if the groups turn out to be larger or smaller than CBO expects, the costs of the bill could be higher or lower than CBO estimates.

Also uncertain is the extent to which the current-law WEP and GPO will reduce Social Security benefits in the future. CBO's projections of those amounts are based on historical data, but future growth will be driven by factors that are difficult to predict, including annual cost-of-living adjustments to Social Security benefits. If CBO's projections of those adjustments are too high or too low, the costs of the bill could be higher or lower than CBO estimates.

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures (on-budget costs) are shown in Table 2. Only the changes in SNAP outlays are on-budget and subject to pay-as-you-go procedures.

Table 2.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 82, the Social Security Fairness Act of 2021, as ordered reported by the House Committee on Ways and Means on September 20, 2022

	By Fiscal Year, Millions of Dollars											
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2022-2027	2022-2032
	Net Decrease in the On-Budget Deficit												
Pay-As-You-Go Effect	0	-80	-225	-225	-220	-215	-215	-210	-205	-205	-200	-965	-2,000

Enacting the bill also would increase off-budget spending for Social Security by almost $185 billion over the 2023-2032 period. Because that spending is classified as off-budget, those effects are not counted for pay-as-you-go purposes.

Increase in Long-Term Deficits

CBO estimates that enacting H.R. 82 would not increase on-budget deficits in any of the four consecutive 10-year periods beginning in 2033.

Enacting the bill would increase off-budget spending by tens of billions of dollars in the years after 2032, but CBO has not completed a detailed estimate of those costs. In CBO's baseline projections, the balances in the OASI and DI trust funds will be exhausted after 2032. Based on the estimated effects of the bill through 2032, CBO expects that, under the assumption that the OASI and DI trust funds are combined, the bill would advance the exhaustion date for the combined trust funds by roughly six months.

Mandates

CBO has not reviewed H.R. 82 for intergovernmental or private-sector mandates. Section 4 of the Unfunded Mandates Reform Act excludes from the application of that act any legislative provisions that relate to the Old-Age and Survivors Insurance and Disability Insurance programs under title II of the Social Security Act. CBO has determined that H.R. 82 falls within that exclusion.

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