

# *The* **BASELINE** *and* **TRUST FUNDS**

Federal trust funds are mechanisms created by Congress to manage revenues intended for important services for the American public, such as Social Security, Medicare, highway construction, and more.

The Congressional Budget Office's (CBO) recent baseline provides useful analysis on the current condition of the Trust Funds while also **showcasing the severity of their potential downfall if Congress does not act to save them.**

## **Social Security Trust Funds**

The Social Security program is supported by two separate trust funds:

- ***The Old-Age and Survivors Insurance (OASI) Trust Fund***, which encompasses the majority of Social Security benefits, is used to provide retired workers, their families, and survivors of deceased workers with benefits.
- ***The Disability Insurance (DI) Trust Fund***, which provides support to workers who are unable to continue employment due to serious, long-term disabilities. The trust funds are funded by a 12.4% tax, split evenly between employers and employees.

According to the report, the OASI Trust Fund **will be unable to meet its financial obligations in 2033.** Once the reserves are exhausted, and absent a change in law, the OASI Trust Fund will experience across-the-board benefits cuts of 25% for all recipients.

CBO's projection is a clear reminder that the current predicament of the Social Security trust funds necessitates congressional action to mitigate benefit cuts, **which could impact the lives of millions of beneficiaries and upend the economic stability of families on a fixed income.**

## Medicare (Hospital Insurance) Trust Fund

The Hospital Insurance (HI) Trust Fund provides funding for Medicare Part A, which primarily covers inpatient hospital care for Medicare beneficiaries. The HI Trust fund's income is derived primarily from the 2.9 percent Medicare payroll tax.

CBO projects the HI Trust Fund to be **solvent and able to pay 100 percent of scheduled benefits through the 10-year projection window.**

However, the Medicare Trustees, often regarded as the gold standard in forecasting solvency of the HI Trust Fund, [forecasted](#) in 2023 the HI Trust Fund **will become insolvent in 2031**, at which point Medicare will only be able to cover *89% of scheduled Part A benefits*.

## Highway Trust Fund

The Highway Trust Fund (HTF) is composed of two Trust Funds:

- ***The Highway Account***, which funds interstate projects such as highway construction, bridges, and general maintenance
  - The primary sources of HTF revenue include an 18.4-cent-per-gallon tax on gasoline and a 24.4-cent-per-gallon tax on diesel fuel (fuel taxes are not indexed to inflation).<sup>1</sup>
- ***The Mass Transit Account***, which was added to the HTF in 1983, funds public transportation initiatives.

CBO's latest baseline projects the HTF to become insolvent in 2028 due to the last major Department of Treasury general fund bailout of \$118 billion provided by the Infrastructure Investment and Jobs Act (P.L. 117-58). **Over the ten-year**

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<sup>1</sup> Other sources of revenue include truck tire taxes, truck registration fees, and interest paid on the HTF's balances by the Department of Treasury; Congress has increased motor fuel taxes four times: 1959, 1982, 1990, and 1993.

**budgetary window. CBO projects HTF spending to exceed incoming revenue by a cumulative shortfall of \$279.3 billion; this is incredibly unsustainable.**

Due to spending being enacted at unsustainable rates for decades, the HTF has repeatedly faced potential sudden and significant spending reductions which could eventually be felt at the state level in the form of lower reimbursements from the federal government. Moreover, since 2008, Congress has approved a total of ***\$275 billion in general fund transfers*** from the Treasury to the HTF.

CBO's latest baseline projections once more exhibit the importance of addressing the long-term solvency issues facing the HTF. **It is imperative for Congress to resolve these solvency problems** in order to provide the nation with a tangible, long-term fiscal outlook that can bestow necessary resources for all Americans.