House Ways and Means Committee Holds Hearing on Social Security 2100 Legislation

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Body

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SPEAKERS:

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REP. RON ESTES (R-KAN.)

[*]NEAL: The committee ***will*** come to order. Good morning and thank you to our witnesses and guests for joining us today at our hearing on ***Social Security*** 2100 and the act.

Retirement income is often referred to as a three-legged stool ***Social Security***, employer-sponsored pensions, personal savings. I'm very pleased that the Ways and Means Committee has been hard at work this year to ensure that Americans can retire with ***security*** and dignity. In May the House passed the SECURE Act 417-3 which helps middle-class families save for retirement and makes it easier for small businesses to offer retirement plans to their workers. I would remind all that that was bipartisan. And just yesterday the House passed the Butch Lewis Act to address the multiemployer pension crisis facing millions of Americans. That was bipartisan.

Today we turn to the very foundation of our retirement system, ***Social Security***. For 64 million Americans who receive benefits, ***Social Security*** is more than just a check in the mail, it is rock-solid ***security***. It allows them to retire with dignity after a lifetime of hard work. Americans know they have contributed throughout their working years and can count on the benefits they have earned.

People often think of ***Social Security*** as retirement but it is much more than that. It provides essential disability and life insurance to young Americans and it insures both workers and their families. Almost 3 million children are receiving benefits because their parent has died or become severely disabled or retired and let me tell you from my own personal experience I know what kinds of unforeseen challenges ***Social Security*** was designed to help.

Social Security benefits are modest averaging under $17,000 a year for retirees meaning half the ***Social Security*** benefits in America live on less than a $17,000 derived earned benefit. They are the primary source of dollars for many if not ***most*** beneficiaries. For six out of every 10 seniors ***Social Security*** provides again the majority of their income and for almost one in three senior ***Social Security*** provides all or nearly all of their income. ***Social Security*** is likely to be even more important for the retirement of Millennials and future generations who are increasingly squeezed by stagnating wages, disappearing pensions and so many other financial pressures and few of today's workers have savings to survive on if they experience a life-changing disability.

It is fitting to note that tomorrow is the 29th anniversary of the Americans With Disabilities Act. I was an original cosponsor of that legislation and enthusiastically voted for it. It is important to recognize ***Social Security***'s role in supporting economic ***security*** in communities for living with people who are helping out with their disabilities.

For all its strengths ***Social Security*** also faces some challenges. It is fully funded for the near term but faces a modest shortfall over the long term. Congress must act before 2035 to prevent benefit cuts and ensure that all workers get the full benefits they are counting on. Congress has never allowed these kinds of cuts to occur and it certainly is not going to happen on my watch.

In addition, many seniors struggle to make ends meet even with ***Social Security*** and millions of today's hard-working families face a very uncertain retirement. We need to think about enhancing benefits to make them more adequate. The bill we are discussing today, ***Social Security*** 2100 Act takes on these challenges and more than meets them.

I want to come into my colleague John Larson and the ***Social Security*** Subcommittee for the particular skill that they have shown at least in putting out a conversation piece of about the future of ***Social Security*** and the need to consider its expansion. People who have worked very hard and contributed all of their lives should retire to a strong ***Social Security*** system that pays them reliable and adequate benefits.

We stand with the American public. They are very clear, Americans do not want cuts to ***Social Security***. ***Social Security*** works and the if American family knows it. I often hear from constituents who wonder if ***Social Security will*** be there for them when they need it. I am sure my colleagues on both sides of the aisle hear this question as well and our constituents want to see it strengthened, not cut and that is what ***Social Security*** '21 does. It is fully paid for, it asks the ***most*** fortunate among us to pay for their share and it asks everyone to pay slightly higher premiums so that ***Social Security*** can remain strong.

Now you may hear some on the other side of the aisle talk about the premium increase or asking the ***most*** well-off to pay more of their fair share. They may say that that is a better argument for reforming ***Social Security*** but when Republicans say they want to reform ***Social Security*** we want to make sure that it is not a proposal to cut ***Social Security*** and often times raising the retirement age and offering benefit cuts can do that.

Remember the last time that a serious effort was made to reform ***Social Security*** the proposal was to privatize it. Some of us on this committee vigorously protested that argument and President Bush Junior at that time backed off. Their plan would have cut ***Social Security***'s guaranteed benefits to substantially pay for private accounts. The bill before us today has not cut benefits. I repeat, it ensures that everyone receives their full benefit without cuts.

Before I turn to our Ranking Member for his opening statement I want to comment on a related topic. In my state and a number of others we have a long-standing problem for police officers, firefighters, teachers and other public servants who have paid into ***Social Security*** for part of their careers and into a separate state and local government pension plan for part of their careers.

I am working on legislation with Mr. Brady while the windfall elimination provision or WEP, the WEP and we are trying very hard to sort this issue diligently. Action on the WEP is long overdue and I look forward to introducing our bill soon and making further progress this fall. So I want to thank John Larson again for his leadership on the ***Social Security*** Act 2100 and with that let me recognize Mr. Brady, the Ranking Member, for his opening statement.

BRADY: Thank you, Chairman. ***Social Security*** is the ***most*** successful anti-poverty program in our country's history. That is a fact.

For our seniors who have worked hard their entire lives, our neighbors with disabilities and for so many families ***Social Security*** is a lifeline but it is struggling financially and can't survive in the long haul without thoughtful bipartisan change. I commend Congressman Larson on advancing the discussion.

Republicans on this committee are eager to work with Democrats to save ***Social Security*** once and for all for every generation but this has to be done without forcing young people, America's future. to struggle with smaller paychecks their entire working lives. This ***will*** only hurt those who are trying to help the ***most***.

The bill being debated today the ***Social Security*** 2100 Act harms young workers, it hurts small businesses and slows our American economy. Regrettably, this is not a ***Social Security*** reform bill, it is just Washington pinching more of your paycheck, seizing more of what you earn.

To be clear this is a $19 trillion tax increase on workers and small businesses. According to the nonpartisan joint committee on taxation, this outrageous paycheck grab would be a nearly 1000 percent increase in payroll taxes for low-income families. Think about that.

You are a 23-year-old who just graduated from college with $50,000 in staggering college debt it ***will*** take you two decades to pay off to the government which means delaying purchasing that car you need, the home you hope to own and starting the family you dream of. Instead of helping you this bill forces you to cough up another $50,000 in payroll taxes to bankroll benefits for seniors and the wealthy cutting your lifetime incomes by more than 2 percent over your career. That is because you may not get as much back as you put in leaving our younger generation worse off.

Millennials get ripped off in this bill and they are not the only ones. Working families with both working spouses ***will*** face a yearly tax increase of $2100 every year and a single mom with two kids who today under our new tax code doesn't pay a penny in federal income taxes on the first $53,000 on her income, she ***will*** see her paycheck cut by $1344 each and every year.

Your grandkids get mugged. To give your grandma a mere $32 more a month in her ***Social Security*** a low earning grandchild ***will*** pay over $53,000 in higher payroll taxes. Middle-class young people ***will*** pay even more. Main Street small businesses get hammered, too. Women and minority-owned businesses, first-generation entrepreneurs, young business startups their taxes also go without meaning may have less money to hire workers, raise wages, grow their business or contribute to the local economy.

Worse, both Millennials and small businesses ***will*** struggle to save more for their own retirement. They ***will*** contribute less to their IRAs and 401(k)s because they are giving more to Washington DC. Seniors deserve better, workers deserve better, our children and grandchildren deserve better.

If we were truly interested in strengthening ***Social Security*** we would be doing this on a bipartisan basis. Not once in the program's nearly a century-long history of reforms to the program been made without Republican and Democrats working together. There are ways to reform this program without devastating tax hikes on Millennials, on working families and local businesses.

Republicans want to secure benefits for current and future generations without taking away workers' hard-earned money. We have to do so through long-term economic growth. The best way to achieve that growth is through promoting work, not penalizing it. ***Social Security*** already discourages work, particularly among women and seniors.

Let's reform the program so that the best safety net available, a good-paying job as part of the equalization. Democrats, my friends, often cry you don't have a plan. We do. We start ***Social Security*** reform by making sure our teachers, firefighters, and police receive the ***Social Security*** they have earned just like every other American worker.

This is as the Chairman said a bipartisan issue. Let's start there in a way that doesn't hurt ***Social Security*** or raise payroll taxes and while reforming the program we have to put our ***most*** vulnerable neighbors first. That means focused reforms that help make sure ***Social Security*** meaning for a long career but low-wage workers and others who rely on the program.

And finally, if there is one key point we all agree on is this we have to act now. We can't punt reforms down the road. And while ***Social Security*** solvency has improved in today's economy following our new tax code Congressional action today ***will*** require reforms nearly twice as substantial as those enacted in 1983 in a bipartisan way. The time is now to reform and save this program for all generations. Republic are hopeful we can do so together without massive tax hikes that are bad for young people, bad for small business and bad for the economy. Thank you, Chairman.

NEAL: I thank the gentleman. So let me think our distinguished witnesses for taking time to appear before us today to discuss this very important issue.

Let me first welcome Stephen Goss who is the Chief Actuary of the ***Social Security*** Administration. Nancy J. Altman is the President of ***Social Security*** Works. Then we have Kelly Brozyna, a member of the Job Creators Network, the National Women's Coalition. Next we have Abigail Zapote, the Executive Director of Latinos for a Secure Retirement and finally, we have Shaun Castle, the Deputy Executive Director of Paralyzed Veterans of America.

Each of your statements ***will*** be made part of the record in its entirety. I would ask you to summarize your testimony in five minutes or less and to help you with that time there is a timing light on your table. When you have one minute left the light ***will*** switch from green to yellow and then finally to red when five minutes are up.

Mr. Goss, would you please begin?

GOSS: Chairman Neal, Ranking Member Brady and members of the committee thank you very much for the opportunity to speak to you today about the provisions of the ***Social Security*** 2100 Act and the implications of enacting this bill. I appreciate this opportunity to expand upon the testimony and discussion with the subcommittee on ***Social Security*** on this topic back on April 10 of this year.

Under the under immediate assumptions of the 2019 trustees report which came out in April we project the annual cost of the OSDI ***Social Security*** program ***will*** begin to rise above the annual income starting in 2020 due to the aging of our population and the combined OSEI and DI trust fund reserves ***will*** thereafter become depleted in 2035.

If that were allowed to happen continued revenue would be sufficient to pay only 80 percent of benefits currently scheduled in law in 2035 declining to 75 percent by 2093. Enacting adjustments to scheduled revenue and/or benefits soon ***will*** allow more options, more gradual implementation, and more advanced notice to those who ***will*** be affected.

The shortfall in revenue over the next 75 years as a whole is 2.78 percent of the current law taxable payroll or about 1 percent of GDP probably the easiest way to think about it. The ***Social Security*** Act would eliminate the 75-year shortfall and achieve what we refer to as sustainable solvency meaning that the ***Social Security*** program would be projected to be fully solvent for the foreseeable future, 75 years and even beyond.

The bill would generate additional tax revenue equivalent to about 1.4 percent of gross domestic product over the next 75 years. 1 percent of that would allow for full payment of benefits scheduled under current law, another 0.3 percent would allow for increases in scheduled benefits included in the bill and the increases would be about 4.6 percent over scheduled benefits levels over the period as a whole and an additional 0.1 percent of GDP along an extra margin of solvency over that period which is useful given the uncertainties of the future.

Let me briefly describe the provisions of the bill. Section 101 would increase the first benefit formula factor from 90 percent to 93 percent. This would be about a 3 percent increase in benefits for our lowest-paid beneficiaries, our 10 percent lowest paid and about a $30 a month increase for the top 90 percent of our beneficiaries.

Section 102 would change the annual ***Social Security*** cost-of-living adjustment by using the CPIE for elderly as opposed to the CPIW for all urban wage earners. Retirees at age 72, 10 years after they start becoming eligible, would be receiving benefits of about 2 percent higher as a result of this and for those who are at age 82, they would be receiving benefits about four years higher 20 years after they start becoming eligible.

Section 103 would update the special minimum benefit provision which is in current law but has become not of any use because of the way that it has been indexed over time and the updated the special minimum would ensure a PI(SP) of at least 125 percent of the poverty level for long career workers with significant earnings over--over at least 30 years. This minimum would be increased after 2020, not at the way the poverty level was normally increased by CPI but would actually increase by of the average wage so it would not go away the current special minimum has.

Section 104 would increase thresholds at the ***Social Security*** benefits subject to federal income tax from $25,000 to $50,000 for single filers and $32,000 to more than triple that $100,000 for joint filers. Section 201 and 202 would apply the full payroll tax rate for years in the future 2020 and later to earnings in excess of $400,000. In 2020 that would affect only the top 0.5--half of 1 percent of workers but over time by 2048 all earnings would be subject to the full payroll tax. Additional taxes paid as a result of this provision would result in additional benefits being paid to those individuals.

Finally, section 203 would increase the combined ***Social Security*** payroll tax rate by 0.1 percentage point per year starting in 2020 until we get to a 2.4 percent increase in 2043. So that would be a gradual increase starting in 2020.

All of us in the Office of the Chief Actuary look forward to continuing to work with members of this committee and other members of the House and Senate in developing comprehensive legislation to maintain ***Social Security*** solvency for the foreseeable future. Thank you again for the opportunity to talk to you today. I very much look forward to trying to answer any questions that you may have. Thank you.

NEAL: Thank you, Mr. Goss. Ms. Altman, would you please begin?

ALTMAN: Chairman Neal, Ranking Member Brady and members of the committee ***Social Security*** is intended to provide as its name suggests a sense of ***security***, peace of mind but that invaluable benefit has been lost because too many Americans have been convinced that ***Social Security*** won't be there for them. Passage of the ***Social Security*** 2100 Act is an important step to restoring that peace of mind.

As important as it is though to balance income and outgo it is imperative to remember that that is merely a means to an end; the end, the goal, is to provide America's working families with economic ***security***. Importantly the 2100 Act restores ***Social Security*** to balance without cutting benefits and as important expanding them.

Social Security's benefits are modest but vitally important to nearly all of its 63 million beneficiaries. As the Chairman said those benefits ***will*** be even more important in the future because the nation is facing a retirement income crisis. Given that ***Social Security*** is more universal, efficient, secure, and fair than its private sector counterparts and that it can be expanded immediately with no startup costs increasing its benefits across the board as the 2100 Act does is the best solution to that crisis.

It also is a solution to the squeeze on working families and income and wealth inequality. Now some argue that if benefits are increased they should only go to those at or near poverty but this focus on need reveals a fundamental misunderstanding of what ***Social Security*** is. ***Social Security*** is part of workers' compensation. The nation already has a needs-based program for seniors and people with disabilities, the supplemental ***security*** income program. In addition to passing the 2100 Act, I urge you to expand SSI to assist the poorest among us.

Expanding ***Social Security*** ***will*** strengthen the economy particularly in rural communities. On the last page of my written statement is a chart showing ***Social Security***'s importance to each of your congressional districts. The 2100 Act is not only wise policy it is also what the American people want. As polarized as this nation is we are not polarized about ***Social Security***.

Support for the provisions of the 2100 Act is overwhelming according to numerous polls. Large majorities of Republicans, Independents, Democrats, Tea Partiers, union members, all ages, genders, income levels, races, ethnicities, support expansion and oppose cuts. They support requiring the top earners to pay more and also are ***willing*** to pay more themselves.

It is noteworthy that the rate increase in the ***Social Security*** 2100 Act is substantially more modest than every single past annual increase in the history of the program, just five-hundredths of a percent or $0.50 a week for a worker earning $50,000. The overall increase phased in all the first almost a quarter of a century, 24 years, is smaller than every other 24-year increase up until 1990, the last time the rate was increased.

The ***Social Security*** 2100 Act includes provisions that should be attractive to conservatives including a tax cut. Some seem to believe though that to be a consensus package there have to be benefit cuts as there were in 1983.

The late Robert M. Ball who represented Speaker O'Neill in his negotiation with President Reagan was concerned that policymakers would take that wrong lesson from the 1983 experience. Just months before his death he wrote in 2008 what was right in 1983, a balanced package of benefit cuts and tax increases would be wrong today. He said it is the essence of responsibility in my view to insist on no benefit cuts.

I am confident that if Bob Ball were alive today he would urge passage of the ***Social Security*** 2100 Act. Thank you.

NEAL: Bank the gentlelady. With that let me recognize Ms. Brozyna. Please begin.

BROZYNA: Thank you. Chairman Neal, Ranking Member Brady and members of the committee. My name is Kelly Brozyna and I am the founder and President of the Colorado Business Development Foundation which is a 501(c)(3) nonprofit that provides entrepreneurial resources in Colorado.

Through my experience in working with small businesses in this position plus 24 years' experience with the SPDC(SP) network and membership in the job creators network which by the way their dream of business ownership experiences freedom, flexibility, and financial success whom I am representing today. I am also here representing the 90 million Americans who work and own small businesses. Thank you for inviting me to discuss how this ***Social Security*** 2100 Act would impact small businesses and their employees and I'm here today to help bring the human factor of what this bill ***will*** mean to small business and individuals.

To recap the proposal would raise the payroll tax for several years by 2.4 percent to a total of 14.8 percent earned income. On the surface that seems like a small tax increase but it would take a painful bite out of the of the incomes of entrepreneurs, workers, and small business owners. The tax increase is split between employees and employers meaning they both see their taxes increased by 1.2 percent points.

Consider first how this would affect workers like my daughter Catherine(SP) who lives in Boston. She recently graduated from Montana State University and landed her dream job in Boston working for a travel company. She earns about $45,000 a year and lives outside of the city limits to afford living in (INAUDIBLE) housing. When I spoke to her about how this tax increase would affect her personally her taxes would go from $540 a year to $3330 a year and this tax hike could potentially mean that she might not be able to afford to live where she is at and live and work at her dream job in the future.

What the committee must understand is that the tens of millions of Americans like my daughter live on a fixed income and can't afford a new tax expense. Even if it's only a few hundred dollars a year phased in slowly it still is effective. Remember that the payroll tax is the biggest tax ***most*** of American employees. Catherine makes enough money today to afford to cover all of her expenses and live and work in Boston but this may mean she would have to give up that dream in the future.

Then there's the cost to these small business owners. I have a good friend who is an African-American veteran-owned business who retired after 20 years of serving the Army and serving our country and moved to Colorado for the quality of life. His biggest fear was to work a five day a week job eight hours a day in an office so he started his own business and he's a home inspector offering radon testing and water line inspections.

Presently he is going back to school using his G.I. benefits to get his HVAC degree to grow his company and add additional services. He is one employee but his growth is there and he is planning on trying to hire more people in the future.

When I spoke to him about this tax increase he is really upset. He said it would increase his taxes by thousands of dollars and what does this mean to him? This means that he would end up eliminating his entire marketing budget and when you are in a business that is very ***social*** like that you need that marketing to bring on new business. He would hold off buying new equipment such as (INAUDIBLE) testing and kits and cameras to grow his business as well and of course the typical thing he would end up having to pass on those expenses to the customers. He also said that he may even cut down on the amount of work that he does because the tax increase wouldn't make sense for him to continue doing on his path presently.

The tax increase is particularly hard on sole proprietors who pay both sides of the payroll tax. Almost 15 percent they are going to be paying in the future. My good friend Susan, who is an LLC, does personal concierge service and relocation service for the aging community and this proposed tax increase means that she would have to quit her job, quit the company, and go back to corporate America.

My 24 year plus experience working with entrepreneurs both in Texas and in Colorado I have found that it takes about 3 to 5 years for small businesses just to break even. The vast majority of those nation's small businesses are sole entrepreneurs meaning that they don't have employees which also means that they would be paying the full 14.8 percent themselves.

In many cases, these entrepreneurs bootstrap their business and barely have three months reserves to stay in business. We typically recommend six months to a year but the reality is it is about three months that they have. This hike--this tax increase would actually prohibit them from even ***keeping*** three years--three months' worth of reserves.

Raising taxes on risk-taking entrepreneurs is another significant hurdle that could prohibit them from ever making their dream come true. Established businesses in my experience and I've seen it personally respond how they always do they ***will*** hold off on hiring, they ***will*** reduce hours for their employees, they ***will*** hire contractors instead of employees. and they ***will*** increase their prices and pass them on to the consumer or maybe some combination of all of these.

Some businesses extremely--who have extremely low-profit margin ***will*** even have to cut staff or close altogether. Small businesses are the backbone of our economy, we all know that. We need to support creative entrepreneurs and help them make their dreams come true not burden them with tax increases ***will*** only stunt entrepreneurial growth and creativity and reduce the living standards.

We want to help small businesses to be successful. They have enough hurdles presently as it is and it is very expensive for people to start their own business.

NEAL: We think the gentle lady she--time is up. Thank you very much. With that let me recognize Ms. Zapote. Would you please begin?

ZAPOTE: Thank you, Chairman Neal, Ranking Member Brady and the rest of the committee members for inviting me to speak today.

My name is Abigail Zapote and I'm the Executive Director of Latinos for a Secure Retirement. Our organizations represent the more than 60 million Latinos in the United States. Collectively we are one out of every five Americans and the fastest-growing and youngest ethnic group in the United States with a median age of 28 making it imperative to continue to have a strong and robust ***Social Security*** insurance program for future generations. I sit before you today not just on behalf of the Latinx(SP) community but with a tremendous responsibility to millions of Americans who could not be here today to take a stand in expanding ***Social Security*** and urge to solve this looming solvency crisis.

I would like to speak to the importance of the ***Social Security*** 2100 Act today. This legislation ***will*** not only improve ***Social Security*** and exponentially increase quality of life for beneficiaries, but it ***will*** also reduce elder poverty rates nationwide and ensure ***Social Security*** benefits for the next 75 years. To put in perspective I would like to offer a testimonial on the intergenerational path that our families share because of the lack of retirement ***security*** in our community.

Over the course of two decades 53-year-old (INAUDIBLE) has diabetes developed into cataracts and later resulted in kidney failure. That is when his sister realized that his care was more than she could take on as she herself had two children and a family of her own. So (INAUDIBLE) daughter (INAUDIBLE) stepped up.

At just 26 years old she became her father's primary caregiver. So every day Lorana(SP) with her help from her 25-year-old brother helps her blind father use the bathroom and get dressed. She cooks his meals and administers his insulin and medication three times a day. Today with us in this chamber we also have a family just like Lorana's.

At just 15 years old Vivian shared the responsibility of taking care of her grandmother using her school lunch break and time that other students dedicated to work, friends. and extracurricular activities to return home to take care of her (UNTRANSLATED) until her final days. Lorana and Vivian are just part of the growing number of Hispanic millennial caretakers.

According to a 2018 report from AARP 38 percent of Hispanic family caregivers are between the ages of 18 and 30 making us the youngest ethnic group of providing care. So not only are we translators, legal aid for our families in this tumultuous time, breadwinners but also caretakers. We cannot wait until 2035 to fix the solvency crisis. By then I ***will*** be 45 years old paying into a system that would only give me 75 percent of my ***Social Security*** retirement benefits.

As a millennial, I am ***willing*** to pay the additional text to ensure that my generation and future generations also have the same or dare I say better benefits and equity than generations do today. This is just one of the many reasons that the ***Social Security*** 2100 Act is so pivotal in our community.

Additionally using consumer price index for elderly to calculate the cost of living adjustment ***will*** ensure that benefits are expanded and our families are maintaining their quality of life, not having to make tough decisions like rationing medicine or missing a utility payment. In 2018 the average benefit for seniors was $16,956. These benefits are far from generous but for Latinos, these benefits compromise at least half of Latino elderly households and 74 percent of total income of Latino elderly households receiving benefits.

Unfortunately, the struggle against racial inequity follows many black and Latino Americans into retirement. I ***will*** share brief statistics to explain the grave outlook of our communities' retirement ***security***.

In 2016 Latinos had a medium wealth of $6400 compared to the white median wealth of $140,500, a wealth disparity that was increased during the housing market crash in 2008 where Latinos not only lost their homes but their retirement wealth as well. In 2017 nearly one out of five Latino workers were paid poverty wages leaving them below the federal poverty line even when they worked full-time year-round.

Currently, only 38 percent of Latino US workforce had access to employer--employer-sponsored retirement plans leading to a lack of retirement accounts for 69 percent of Latino working-age households. For Latinos, the wage gap and retirement ***security*** is even worse. On average Latinos in the US are paid 47 percent lower than white men, that is $0.53 to the dollar. Lower earnings for Latinos means less money for their families.

Our congressional leaders need to address this alarming civil rights issue as healthcare, housing, and living expenses for seniors continue to rise at alarming rates. Not only do we need to ensure that seniors maintain this lifeline during retirement but that future generations can access full benefits at the end of their lifetimes. Our communities deserve policies that provide all Americans benefit equity as they enjoy their golden years. Thank you.

NEAL: Thank the gentlelady. Let me recognize Mr. Castle.

CASTLE: Chairman Neal, Ranking Member Brady, members of the committee I am Shaun Castle, Deputy Executive Director for the Paralyzed Veterans of America and I want to thank you for giving me this opportunity once again to testify about the importance of ***Social Security*** to the millions of veterans and members of the millennial generation like me.

Many of you--excuse me many of you heard my reflections earlier this year about this vital ***social*** insurance program that has covered millions of--millions of military service since 1957. As you know veterans and their families comprise 35 percent of the ***Social Security*** recipient population.

My own ***Social Security*** story began in November 2003 when I was 22 years old. I planned to make my military service my career when a training accident damaged my spine and ultimately forced my military medical retirement in 2004. I was granted an initial $700 a month in VA compensation.

A subsequent surgery in 2008 resulted in irreparable damage to my spinal cord and in January 2009 when I was 27 years old I was granted ***Social Security*** disability insurance. I was not working because of my injuries and had run through my sick leave. When I was determined eligible for SSDI I was on the verge of being homeless, running out of food, and dealing with the ramifications from a second failed surgery that had put me in a wheelchair permanently.

Being granted SSDI gave me some breathing room. I was finally able to get into an accessible home and to start my life back again. Had I not received SSDI when I did that I do not honestly know where I would be today and what I would have done.

Having ***Social Security*** and the Medicare coverage that came with it gave me the financial and healthcare ***security*** to recover from losing my career twice in a two-year span and ***Social Security***'s work incentives supplied the assurance for me to pursue a new life and new opportunities. I returned to school in 2014. In 2017 I accepted this position with PVA. I really have SSDI to thank for being there when I needed it the ***most*** and it played a role in helping me to get to where I am now.

My entire life I have heard the same narrative over and over that ***Social Security*** is in dire trouble and cannot be sustained without drastic restr--drastic reductions in benefits. This is not borne out by the facts. ***Social Security*** is a self--self-financed through the contributions of workers and employees and ***will*** be able to pay full benefits until 2035. True 2035 is not that far away but PVA believes that the system's modest funding shortfall can and must be closed without cutting benefits for current or future generations.

PVA views ***Social Security*** is a vital public insurance, particularly because all of our members benefit in some way from this program whether it is the benefits that afford them a secure retirement, protect their survivors and dependents or enable them to manage living with a disability with dignity.

When I was first injured I sought out life insurance to ensure that my wife would be protected in the event that my spinal cord injury cut my life short. I do not recall how many insurance companies I applied to--to for a policy but every single time I was denied because of my disability.

Social Security is the only guarantee--only guaranteed source of retirement, life, and disability insurance available to the general public that cannot be withheld because of a health condition, terminated by an employer or won't disappear because a company's pension fund goes bankrupt. That is why PVA strongly supports the ***Social Security*** 2100 Act.

In particular, we applaud the provision that would enable--that would establish a more realistic cost of living adjustment for beneficiaries, strength, and protection for low-income workers and for all beneficiaries, cut taxes on benefits for nearly 12 million beneficiaries and make long-overdue adjustments in the financing mechanism for the system.

We also appreciate its recognition that ***Social Security***'s disability, retirement, and survivor protections are all part of one unified system and the fact that ***Social Security*** actuaries have determined that this bill ***will*** ensure the long-term solvency of the trust funds making sure it remains strong for future generations. This legistration(SP)--legislation demonstrates that preserving and strengthening ***Social Security*** can be done without causing harm to beneficiaries, many of whom rely heavily on its programs for economic ***security***.

At the April subcommittee hearing, some decreed the adverse impact that this bill would have on the average young worker who would eventually pay an additional $600 on emerging--on earnings of $50,000 a year. Overlooked was the increase in the subsequent ***Social Security*** benefits that would occur--that would occur to those Millennials in their retirement under the ***Social Security*** 2100 Act. For the average worker, this means paying an additional $0.50 per week through 2043 to ***keep*** the system solvent. As a millennial, I am ***willing*** to pay the additional $0.50 per week to preserve the system.

Thank you Mr. Chairman, Ranking Member Brady and the members of the committee for your attention this morning. PVA stands ready to work with you and your colleagues in advancing this legislation to extend and enhance ***Social Security***, this vital ***social*** insurance program.

NEAL: Thank you, Mr. Castle. We ***will*** now proceed to questioning under the five-minute rule. Consistent with committee practice I ***will*** first recognize those members present at the time of the gavel coming down in order of seniority. Let me begin by recognizing myself.

Ms. Altman, thank you for your testimony and as you mentioned ***Social Security*** is the foundation of economic ***security*** for millions upon millions of Americans. Is there bipartisan support among the public for expanding ***Social Security*** and what do your surveys tell us?

ALTMAN: There is overwhelming bipartisan support. ***Social Security*** is an area that has been very heavily polled from the beginning. ***Social Security*** administration does polling, I am sure every candidate who runs for office does polling. AARP does polling, Heritage Foundation does polling and what is amazing is how consistent all of the polling is.

The American people, as they say, are quite united. Just this March the Pew Research Center had a poll that showed that let me get my numbers here because--74 percent including 68 percent of Republicans opposed all benefit cuts and 18 to 29-year-olds oppose them as well by 65 percent.

The--I think one of the ***most*** interesting poles was one that was done also by Pew just in the lead up to the 2018 election where people were asked who they supported of the remaining candidates and a slew of issues and all of them Kasich(SP) supporters, Cruz supporters, Sanders supporters they all came out for they absolutely wanted no cuts and there is similar polling, polling was done in the lead up to the 2018 election would you be more likely or less likely to vote for a candidate who supported expanding benefits and there again it was two out of three including Republicans who they were asked did you support Donald Trump, are you a registered Republican and the numbers all come out the same. It's--it's not just a small majority, it is a substantial majority of all of those categories.

NEAL: Thank you. And Ms. Zapote and Mr. Castle I want to thank you for being here and telling us your stories. What does it mean to you personally as Millennials to know that you are protected by ***Social Security***?

ZAPOTE: ***Social Security*** is definitely a lifeline that I know I can't wait to be able to take a part of once I am in my senior years but not only that if there were anything to happen to me or my family in that sense. Did you want to say anything?

NEAL: Well, some of it is not that enthusiastic.

ZAPOTE: Fair enough and I think that you know it really is that lifeline for a lot of people that we definitely need at the end of our lifetimes. For me as a millennial to see that by 2035 there is already going to be a 20 percent or 24 percent cut it is really disheartening and that is why we are here today to ensure that we convince everybody in this room to ***keep*** the legislation moving forward because we need that solution now.

NEAL: Mr. Castle?

CASTLE: So she covered I would like to address as a millennial with a disability. This is something that is imperative for people. ***Most*** people don't think that this can happen to you that I won't end up with a disability, I won't end up in need of this, I won't end up in a position where I fall below the poverty line and I need help from ***Social Security*** in different areas.

This is something that is drastically needed for all generations but especially the millennial generation as cost of living gets higher, as cost of healthcare insurance gets higher, as cost of disability benefits, as cost of life insurance benefits gets higher. As I pointed out in my testimony you can't buy life insurance, you can't buy long-term disability insurance, you can't buy retirement accounts for the price that you can paying into this payment for this benefit. It's just not available.

So as a millennial I mean this is something that it needs to be there that I hopefully you know I God-***willing*** live to the age of 67 again and I don't need to go back on ***Social Security*** disability benefits because of my injuries before there but it is something that has to be secured for the long-term. It is something that must be there.

NEAL: Thank you, Mr. Castle. Let me recognize Mr. Brady for five minutes.

BRADY: Thank you Mr. Chairman. The joint committee on taxation analysis is clear Democrats Bill has a devastating impact on workers, on small businesses and the economy.

By the end of this decade, poverty-level earners ***will*** face a $1000 tax increase while millionaires ***will*** face a tax increase of a mere 9 percent. Think about that, 1000 percent tax increase on poverty earning workers, many of them Latinos and African-Americans, the disabled and those without high school degrees, millionaires a mere 9 percent. Maybe we could poll that and see how that is felt by the American people.

But even that doesn't tell the whole story. That is why today I am sending a letter along with Tom Reed, the Ranking Member on ***Social Security***, the Congressional Budget Office requesting they complete a full analysis of the bill. ***Social Security*** is just too important to our seniors, those with disabilities, all workers for the committee to move forward without CBO's analysis.

And while we have a ***Social Security*** actuary's analysis and he is here with us today thank you Mr. Goss Congress relies on CBO as our official scorekeeper. It is essential that we have both analysis.

Ms. Brozyna thanks for highlighting the real-life impact this bill ***will*** have on small business across the country. This is a massive payroll tax increase on everyone especially low-income workers and even though thanks to tax reform and balanced regulation unemployment rate for Latinos is at record low the disability trust fund has and ***Social Security*** has--has gotten better by almost 2 decades just in the last year because more of those with disability are going back to work. That is good news.

But the question for you is as a small business who hires workers, many of them first-time workers you know and that starting wage trying to get up so if your workers have smaller paychecks because of this bill and you have smaller paychecks because this bill how do you save for retirement yourself and what does this do for your ability to hire more young people and workers? Can you talk to us about that?

BROZYNA: Thank you for the opportunity. I would be happy to. Experiencing firsthand how small businesses do their hiring and their thought process as I mentioned in my opening speech existing established companies ***will*** actually literally not hire in the more people. They ***will*** actually cut their wages or they ***will*** hire contractors. So that is one aspect of it.

As a low-income employee or earning a lower wage as an employee what they ***will*** end up doing is they ***will*** not be able to afford any extras in their life. They won't be able to travel, they won't be able to visit family for holidays, they--I mean they won't even be thinking about saving for retirement, they are thinking about paying the bills today. And as hiring Millennials that are coming in there they are thinking about today. They are thinking about how they are going to make bills meet, they are going to think about can I have gas money to get back and forth to work? Can I pay for that Metro pass you know to get so it affects them?

BRADY: Can Millennials coming out of college with just loaded with student debt how do smaller paychecks help them pay that back?

BROZYNA: Well it doesn't. I mean a lot of times they can go off of their income to pay back their--their student debt but they ***will*** pay--I have friends that are paying off a 20+ years still paying off their student loan debt. We are talking it is devastating to their family.

BRADY: So how about working families? So under this bill, both spouses work which is common these days to make ends meet. So that family, working family ***will*** see a tax increase of $2100 a year after this is fully phased in. How does--how does--how do they save for retirement when their paychecks are $2000 less each year?

BROZYNA: They take on a second and a third job in many cases. I can't tell you how many of my friends and especially in the minority community that they are now Lyft drivers or Uber drivers to try to make ends meet. So trying to afford to give their kids a good education and pay a little extra for tutoring and so they end up taking a second and a third job just to cover those. If we add this added tax burden on them I am not sure what ***will*** happen. Their kids that are in middle school and high school ***will*** suffer from their education level.

BRADY: Can I ask you this--can I ask you because this is so revealing, for small businesses do you think ***most*** small businesses along Main Street know there is a $19 trillion tax hike coming out of payroll taxes headed their direction? Do you think they know that?

BROZYNA: No and as a matter of fact when I was inquiring to get some examples for today's hearing they were shocked, they couldn't believe it and I am getting a amazing feedback from everybody both on ***social*** media and personally of how this ***will*** be devastating to them and they might have to stop doing what they are doing.

BRADY: Thank you, Ms. Brozyna.

NEAL: Let me recognize the gentleman from Georgia, Mr. Lewis to inquire.

LEWIS: Mr. Chairman thank you for holding today's hearing. I would also like to thank a colleague Congressman John Larson for his tireless work and leadership on this issue.

Social Security is a sacred promise to the American people and it is a pact that we must not break. For more than 60 million Americans this program rescued them from poverty. In my district, more than 100,000 people rely on these benefits, more than 100,000 in the Congressional district that I represent in Georgia.

Ms. Altman, I have a simple question. People usually think of ***Social Security*** as an issue for seniors, an issue for the elderly. May you address how ***Social Security*** affects different generation and especially young people, American youth?

ALTMAN: Although ***most*** people don't realize it ***Social Security*** is the nation's largest children's program, about 8 percent of America's children are either receiving benefits directly because a parent has died or become disabled or living in a family where the main source of support is ***Social Security***.

Their grandparents--***Social Security*** is the ***most*** important source of support in families where grandparents are taking care of their grandchildren and as Shaun and Abby have said in their testimony although people think of it as an old person's program and all of that all of us are as we cross the street when a hurtling truck is going by are five steps away from needing ***Social Security***'s disability insurance. It is protecting Millennials today that has disability insurance and life insurance if God forbid something happened to them.

LEWIS: I want to thank each one of you for being here for your testimony. Mr. Chairman, I yield back.

NEAL: Thank you. Let me recognize the gentleman from Florida, Mr. Buchanan, to inquire.

BUCHANAN: Thank you Mr. Chairman for an incredibly important hearing. In my area, I am in Sarasota, Florida that region so protecting ***Social Security*** the programs are critically important to people I represent and obviously to me, 220,000 beneficiaries that are have access to this program.

I do a lot of town halls, telephone town halls; my lifetime I've done 80 of them and you hear the passion a lot of people in terms of a third of them and I guess who get to 65 have literally nothing but their ***Social Security*** and you hear different numbers, another third have something but not enough and then another third maybe lucky or have saved up or whatever, they are in a better position and they weather the storm a little bit better.

But you see a lot of people get into their 90s in Florida, that's the new age group, that is something that has got to be looked at clearly. But I want to say that to Mr. Larson, my friend, I appreciate his leadership on this. I think working with Mr. Reed on our side we can get something done. We need to get something done.

This is an opportunity but as the Chairman expressed early on it is a conversation piece meaning that I think this is a good start. If you look historically unless we do something together we are not you know this is that going to get done in a serious way or it's going to be an ongoing challenge. And then the other thing just look at healthcare over 10 years, the same thing there. So we've got an opportunity to make a difference. I think time is of the essence.

Mr. Goss let me ask you and I want to thank you for your service. As long as I have been on this committee you have been here and I know you have been longer than that. But you mentioned I think ***Social Security*** now is passed over $1 trillion we pay out. Is that right? Or close to it or is it over $1 trillion?

GOSS: That is correct. It is a little over $1 trillion this year.

BUCHANAN: And we talk about from a bipartisan standpoint I'm sure you've looked at the historical aspect of ***Social Security***. Has there ever been a time in the past where we did address it in the '80s but may be before that that we haven't worked together Democrats and Republicans to resolve this?

GOSS: I do not believe so.

BUCHANAN: Then as I mentioned time being of the essence we always have a tendency here to wait until the last minute. How much time do we have? You mentioned 2035 but the reality of it is the longer we wait the tougher it is going to be able to address this fix and that is why it is important we deal with it today.

Is it your--what is your thoughts on the timeframe on this that we need to address the viability of ***Social Security*** even though it's down the road 2035, when--when do we need to address that?

GOSS: It is absolutely imperative that we do make changes over the next within the next 16 years. It would be a great advantage in enacting changes even if implemented over the next 16 years and acting them relatively soon it allows more options, it allows a more gradual phase-in of changes and more advanced notice to individuals who ***will*** be affected.

BUCHANAN: Thank you. Mr. (INAUDIBLE) I mean let me mention, ask you just quickly as we look at the increase in taxes that is going to go from 12.4 to 14.8 I realize that is over a period of time but what a lot of people don't realize you say it's 1.2 to--or 2.4 percent but right now they are paying in collectively half and half the employer and the employee 6.2 it goes to 7.4.

So collectively they are paying almost 15 percent and it is part of as someone mentioned earlier it is part of the employees benefit program when this gets fully at the number they would be paying in 7.4, the employer or the entrepreneur is going to pay in 7.4. So again can you touch a little bit more on the impact for startups, entrepreneurship and small business and I would just say I chaired our chamber locally but in the state of Florida 95 percent of businesses are probably 25 employees or less and the impact it has on them?

BROZYNA: Happy to. The majority of the businesses that I worked with actually had five or less employees and a lot of those are family-owned businesses as well. So you it sounds great in theory that they split it 50-50 but when you have family members that are working for you ultimately they are paying--they are paying almost 15 percent together on those taxes.

What that means is as I mentioned before they are not going to hire. They are going to do contract workers, they are going to cut hours. They are going to do everything around and then pass the price on to the consumer and the customers. So ultimately we as constituents and we out there are going to end up paying that extra fee because small businesses need to make it up someplace and they ***will*** pass it on.

BUCHANAN: Thank you and I yield back.

NEAL: Thank the gentleman. Let me recognize the gentleman from Texas, Mr. Doggett to inquire.

DOGGETT: Thank you, Mr. Chairman, and thank you for the testimony each of you provided. Certainly, ***Social Security*** is the ***security*** of knowing that a lifetime of work results in the dignity of retirement.

Today we focus on the success of ***Social Security*** and making the necessary reforms to ensure that it is there not just for grandparents but for our grandchildren and our great-grandchildren. Since President Roosevelt signed it into law it has dependably provided hope, protection, and ***security***. I doubt that there is a family in this country that doesn't have a family member for whom ***Social Security*** has been vital.

The efforts that Mr. Larson has made with this bill are an attempt to respond in a constructive way, in a bipartisan way to the challenge that the actuary has described this morning that if we do nothing there ***will*** come a time in the future that we are not able to provide 100 percent of ***Social Security*** benefits and that as early as next year what is coming into ***Social Security*** ***will*** be exceeded by what's going out in paying benefits, benefits that are by the way pretty modest where ***most*** families would not want to rely exclusively on ***Social Security*** though many families and especially many single women across this country do exactly that.

And so faced with that kind of situation you can do one of several things. Mostly our Republican colleagues especially after passing a $2.2 trillion worth of debt in an unwise tax bill have said we have no choice but to cut entitlements. They don't say cut ***Social Security*** but ***Social Security*** being the largest of those entitlements is exactly what they have been mind.

Another possibility is to come up with some gimmick like letting Wall Street take over ***Social Security***. That is exactly what President George W. Bush once promised as a way of using his political capital to do just that. And the other possibility is to add some revenue so that when we reach 2030 we are not forced to cut benefits by 20 percent but we have the revenue to meet the needs and you can't raise revenue without having some additional taxes to cover and provide that revenue.

Ms. Altman, isn't the only alternative to providing some additional revenue is to cut benefits?

ALTMAN: Yes, that is correct.

DOGGETT: And--and that's what's been advocated in the past, along with the scare tactics of trying to convince Millennials that there won't be any ***Social Security*** there when they need it so that they'll abandon this system. I don't believe there's any free lunch here, we have to provide the revenue to--to match the benefits that folks need.

I'm particularly interested--and Mr. Castle, I was interested in what you had to say, recognizing that this is not just about seniors but it is OASDI old-age survivors and disability insurance. A critical part of this is the disability side.

And I've been concerned that as important as ***Social Security*** is, and you're a living example of this, it's important that we make improvements and strengthen ***Social Security***. Mr. Larson does this some. I'm concerned about the five-month delay to receive benefits after you've qualified for disability insurance.

And even more concerned about the two-year delay that someone who's found to be disabled has to wait before they qualify for Medicare. I'm working on legislation with Senator Casey to eliminate those waiting periods, and to ensure that individuals with disabilities have access to health care when they need it, not on a timeline that is convenient for government. And I would appreciate your just commenting a bit on the challenges that you face that other individuals face who have a disability or found to be disabled but have to wait to get access to health insurance.

CASTLE: Well, thank you for that. That's something that PVA, Paralyzed Veterans of America, absolutely stands behind is eliminating that waiting period. It's something that I had to deal with my--myself. It's something that many people I know, all the people I represent have had to deal with. It doesn't make sense that you fight for years to finally be found--to qualify for the benefit that you've paid for and say, "Yep, you're disabled, you now ***will*** receive benefits, financial benefits, and back pay for the time you've waited. But now you have to wait another year or a year and a half, in some cases, to get the medical coverage to actually treat the disability that you are qualified for the benefit for."

It doesn't make sense. It's something that is putting the burden back on people with disability to have to wait a year, year and a half, sometimes longer, up to two years sometimes to receive the medical coverage to treat the disability that they were found and found to be disabled enough to receive the benefit. It's something that is backwards in the system. So absolutely Paralyzed Veterans of America absolutely stands behind any legislation that would get rid of that type of barrier not just for veterans but all people with disabilities.

DOGGETT: Thank you very much. Thank you, Mr. Chairman.

LARSON: Mr. Smith is recognized.

ADRIAN SMITH: Thank you, Mr. Chairman. Thank you to our witnesses. Given the importance of ***Social Security***, I--I strongly feel that we need to have a thoughtful discussion about this very topic and certainly a thoughtful discussion on various proposals so that we can vet these proposals. And ultimately, hopefully, we'll work together in a bipartisan fashion to ensure the solvency--the long-term solvency of ***Social Security***.

I have concerns about the current proposal being a massive new middle-class tax increase. In several hearings this year, I've used the example of a single mom with two kids earning $50,000 per year--per year who has no federal income tax liability under the tax cuts and JOBS Act. Rather than go back to that very same scenario, I'll use a different example. Since the House passed the bill last year to raise the minimum wage to $15 per hour, I think we should focus on what this bill would mean to someone currently earning that hourly rate. Under TCJA, a single mom with just one child, currently making $15 per hour and working full-time, that's roughly $30,000 per year, she has no federal income tax--under a no federal income tax liability under the TCJA. None, zero.

However, this legislation would raise the taxes on this--on this single mom by $720 per year, a 19 percent increase in the payroll tax burden on her. That is $60 per month, which is currently in this mom's paycheck. We would now be asking her to hand over to the federal government $60 she wouldn't have to buy food, diapers, put gas in her car, and many other things so that she can make a living. We're not only concerned about this tax increase on--on single moms. Let me say that Nebraska's third district is the number one district in agricultural production with farms and ranches. And while we know that even the employer-share payroll taxes ultimately comes out of the employees' paycheck. This is particularly noticeable to these farmers and ranchers who operate as sole proprietors and directly paid both halves of their ***Social Security*** and Medicare taxes.

Ms. Altman, I was wondering if any polling has been done in terms of what the general public would--would have to say about the self-employed small businesses having to pay both sides of--of the payroll taxes? Is that a popular item as well?

ALTMAN: Well, of course, when it is self-employed, they get a--a--a deduction. I don't know that it's ever been quite tested that way. But I think ***most*** people do--I--I don't know if there's polling on it. The--the reason Congress has done it that way is that it's equivalent to an employer-employee relationship.

ADRIAN SMITH: Certainly, I--I think there is some explanation to that. But it is something we need to ***keep*** in mind when increases are proposed. That some folks have to pay both sides of that. That's why I think we should be very careful adding any new benefits as well on under the payroll tax. So I--I hope that like I said, we can work together on this.

But Ms. Brozyna, in your testimony, you discussed the potential impact of the tax increase on your daughter, who just graduated from college--congratulations to her and to you and attempting to start her career in Massachusetts. Could you discuss further your daughter's budget currently, what it looks like and what this tax increase would mean to her?

BROZYNA: Sure, thank you. And--and I need to be careful that I don't get in trouble with my daughter.

(LAUGHTER)

I'm releasing some of this information. But she's actually--she was really excited about moving back to Boston. And in being able to get an apartment. What this does to her is she's--she's making ends meet, she's doing a great job. She's--she's very happy. She has a nice work-life balance. Raising her tax is gonna eliminate that and she's not going to Starbucks and getting a latte. She--she packs her lunch every day, she brings it in, she's very efficient with her money as well. This ***will*** affect her tremendously.

Forget about even thinking about it in the future of homeownership that's not even in there in the future. They're looking--they're thinking about today, I don't know any Millennials, including my daughter that's thinking about retirement right now. They're thinking about paying their bills, living a quality life. And that doesn't mean gym memberships and things like that. That means buying food--healthy food, which is always an issue as well. You cut some of these--their--their funds that ***will*** come into them, their healthy lifestyle tends to go out the window, and it's more how do I afford food as well to put on the table?

ADRIAN SMITH: Or take, for example, a neighborhood daycare and that daycare provider would have to pay both sides of--of her ***Social Security***, correct?

BROZYNA: That is correct.

ADRIAN SMITH: And especially if--if wages have been mandated and as a one-size-fits-all across America. That might have an impact actually on the cost of--of childcare as well. I just might toss that in. But the fact of the matter is, I hope that we can work together to address these very serious issues. Thank you. I yield back.

LARSON: Mr. Thompson, California.

THOMPSON: Thank you, Mr. Chairman, and thank you, for your tenacious work on--on this issue. You've done a--a marvelous job. I know you've traveled the country talking to constituent groups from every corner of--of our nation, I know you've been to my district a couple of times. And I can tell you the response was pretty fabulous. People really liked what this--what this proposal would do. And it became very clear that they want to make sure their ***Social Security*** is protected for the next 75 years.

I can't believe some of the concern that we're hearing from my friends on the other side of the aisle about this bill. To discount the fact that Mr. Larson pays for the reforms and his bill after the Republicans charged future generations $2.5 trillion to pay for a tax cut that benefits the richest Americans and corporations and to express concern for young workers is it's--that's faux concern at--at its best. And to claim that Main Street, small businesses would be quote-unquote, "hammered" by the bill ignores the fact that ***Social Security*** dollars are in large part spent on Main Streets across our country and in small businesses across our nation.

In my district alone, we receive $2.5 billion a year in ***Social Security*** checks. And--you know, ***most*** of those checks don't go to an offshore account in the Cayman Islands.

(LAUGHTER)

They're spent every day just to get by and to--and to make ends meet. So let's be honest today, ***Social Security*** is important to small businesses, and to those who collect their benefits today and to young Americans who collect ***Social Security*** in the future.

Social Security provides retirement ***security*** for hardworking Americans. Whenever I think about ***Social Security***, I think about my grandmother, a first-generation American born to Italian ***immigrants***. She worked. She and my grandfather had a small business. But she worked outside of that small business sewing gloves at the Napa Glove Factory. When World War II broke out, she was in charge of the division that made gloves for our Seabees. After that--after the war, that job played out, she went to work at a Napa Valley winery labeling wine. She worked there up until she retired.

Her pension for those years of working was $53 a month. You can't make ends meet on $53 a month. It was ***Social Security*** that allowed her to live with dignity for the rest of her life. And she was proud of that ***Social Security***. She'd always talk about how she earned it, how she paid into it. And--and--and that's exactly what it is. It's an earned benefit. And it is so critically important to Americans. When my grandmother was alive, Americans today, and Americans into the future.

Mrs. Altman, if we don't pass this legislation and Congress makes no other changes--and I want to point out, our friends on the other side don't have a proposal. So if Congress makes no improvements to ***Social Security***, what ***will*** that mean for future generations of retirees?

ALTMAN: Well, as I said, future generations are going to need ***Social Security*** more than today's retirees. And if benefits are cut, as the actuaries have projected, if we--if Congress takes no action whatsoever, those benefits ***will*** be only about 80 percent of what they are now in--and it ***will*** hurt the economy and it--it ***will*** be devastating. It's an important point to remember also that in the 2100 Act, raises disability benefits and survivors benefits as well as retirement benefits.

THOMPSON: Thank you. Mr. Gross, in your estimation, how would this legislation affect retirement benefits for future generations of retirees?

GOSS: For future generations the--as indicated earlier and as Nancy just indicated, if we do not make any change in law, when we reach 2035, there ***will*** only be enough income coming in after our reserves, which are now $2.9 trillion have been used up to augment payroll taxes. We ***will*** not have that reserve available anymore. So we'll have 80 cents coming in--in revenue for every dollar of scheduled benefit. That means the benefit levels that people are used to getting at this point would be paid at that point only 80 percent as much. That's a big drop.

By 2093, that's looking pretty far out for some of the children and grandchildren of folks in the room though, that might be relevant, that would drop down to only 75 percent. That would make a big difference. And--and I would suggest that, really and we--we get into some of the numbers here, the amount of extra revenue that people at the $50,000 or $45,000 earnings level would be putting in over the balance of their career relative to the additional benefit that they would be receiving largely by not having benefits reduced below what is scheduled. And the primary effect of this bill would not be to provide the 4.6 percent increase in benefits above what scheduled it would be to provide that 25 percent to 33 percent increase in benefit levels after 2035 relative to what ***will*** be payable if you all do not act on legislation.

THOMPSON: Thank you very much.

LARSON: Thank you, Mr. Goss. Mr. Marchant, you're recognized.

MARCHANT: Thank you, Mr. Chairman. I'd like to thank Mr. Larson and Mr. Reid for the hard work that they're doing on this subject. I was able to serve on the ***Social Security*** Committee Subcommittee for a couple of sessions. And it was--those were very informative meetings every meeting we had and appreciate the work that's been done.

This week, I've had a couple of days where I've had my 15-year-old granddaughter visiting me. And I have began--began the thought process of my 89-year-old mother and my 15-year-old granddaughter and how this system ***will*** serve them both. So I have 80,000 people on ***Social Security*** in my district as best that we can ascertain. And I consistently hear from them. And believe it or not, the--the thing I hear from them ***most*** is not really concern that they won't get their benefits. It's concern that their children and their grandchildren ***will*** get their benefits.

So I appreciate the--the proposal, every proposal that we can consider. I don't personally agree that this is the path that we should go on this but I am open to a proposal that would extend the benefits to every generation. The folks that I hear from on ***Social Security*** are really they're--they're more concerned about just this one line that's put in their report when they get that yearly report. I get it, everybody gets it. And it's--it's that disclaimer line is put in there that at a certain year the 80 percent, you'll get 80 percent of your benefits and those. They pay very close attention to that line by the way. The plan being discussed today, though, very unfortunately, the burden that it ***will*** place on the other 700,000 people in my district, the group that's working. The average family in my district, a 2.4 percent payroll tax ***will*** basically cost that household about $1,780 a year and their--and then their employer that as well.

So Ms. Brozyna, how--how do you think that in the real world that's going to affect--and I have a--a district that is--I think we have 2 percent unemployment and we're fully employed, fully engaged in the--in the economy and beginning--and really beginning to benefit from this economy--this growing economy, low unemployment, lower taxes. What would this do to that--that atmosphere?

BROZYNA: Thank you, I actually think that it ***will*** be devastating to them. I am--in--in all respect to Mr. Thompson's statement that he made, I've been working with a small businesses community for over 24 years. I have been in the trenches with them, I've been helping the. Established companies might be okay with this and they might be perfectly fine to add a few taxes by increasing prices, things like that. But when you're getting to the real small businesses and in the rural community and in the agricultural community especially, they're going to be paying that total tax themselves. It's going to come into them. It's going to affect their households. And quite honestly, working with these businesses and the testimonies that I've been receiving from the people that didn't even know that this was coming out, they're really nervous about this.

They're working about--they're thinking about today. They're not thinking about 30 years down the line, they're thinking about trying to figure out how to pay their bills today. Small businesses struggle and especially in the startup phase when they're looking at startup--you know, they're bootstrapping everything. They're--they're trying to figure out how they can make it through three, six, a year. The failure factor in small businesses is almost 90 percent for the first three to five years that people go into business. I've seen it, I've experienced it personally with my friends and my family. And so when you're adding additional taxes on to them that's going to be money out of their pocket. That means that's less of an opportunity for them to be successful in the future. And our goal here is not to add more burden on to the small businesses, which is our--our backbone of our economy. It's to help them. It's not to inhibit them from being successful.

MARCHANT: Mr. Chairman, finally, I'd like to add that there are some days that I feel like at least 10 percent of these 80,000 seniors are--are affected by WEP. So I'm--I'm--I would love to see us address that. The Chairman addressed that at the very beginning.

LARSON: It is the full intention of the committee to take that up. It's our full intention to make sure that we explore that. But I would add that we have to make sure the system is solvent first but we welcome any plan that you guys have on that order.

And with that, let me recognize Mr. Blumenauer.

BLUMENAUER: Thank you, Mr. Chairman, and I appreciate your work to initiate this conversation that we're having.

As a practical matter, Congress is not going to allow a 20 to 30--20 to 25 percent cut in ***Social Security***. If for some reason, they screw it up and it's in effect for about 45 minutes, there ***will*** be a brand new Congress. It ***will*** be a temporary problem. And maybe we'll get--we'll be able to jumpstart some serious conversation. We haven't really had a serious conversation. It's something that I've been deeply troubled with. I--I have hope that we could have a national save ***Social Security*** day, and get people at least one day a year to focus on this, to understand the issues, to understand what's at stake, and when you do this--I've had these exercises in my district, and I find that there are not great concerns about actually raising revenue. You do this experience yourself and people ***will*** propose a balanced approach going forward.

But one of the things that's lost is that this is the best investment opportunity for a person, whether they're in the private sector, a small business person. They can't buy ***social*** insurance like this. What Mr. Castle talked about in terms of his individual situation. This is an investment in people's future. And what we're talking about, a few pennies a day, gives them the best retirement value they're going to have, ironclad, inflation-protected, and deal not just with retirement but with disability and problems in terms of survivors. This is lost. This is not somehow going into the federal government into the ether. This is protection, the best ***social*** insurance, and retirement insurance that anybody could have.

Second, Mr. Thompson's point, for many communities, this is the largest industry. The money that comes from ***Social Security*** is far in excess of this factory down the road or this cluster of small businesses. This is an ongoing sustained revenue stream that strengthens particularly rural and small-town America. You--you pull that out where they don't have the economic base in some large metropolitan areas. This is vital to them. It needs to be maintained.

Now I am optimistic that we can move forward and be able to nail down some of the specifics. I think there are other funding options we can explore. I'm happy to look at--at structuring the program. But John, I think you've done a great job of laying out something that I think can be embraced by ***most*** of the people who are looking at this straight on. But people have better alternatives, go for it. The best alternative I've heard from Republicans in two decades I've been here was the privatization of the Bush administration, which would have turned the ***Social Security*** trust fund over to the cowboys at Wall Street just before the meltdown.

I can't--we're concerned now about what's happened to a whole generation with their retirement income that was hurt and their housing values. Think what would happen if the Republican proposal to turn ***Social Security*** trust fund over to Wall Street? What ***will*** you have done? I can't contemplate it.

Ms. Altman, I'm just struck by the difference between what you said 50 cents a week on average. Ms. Brozyna has a daughter who makes $45,000 a year who's going to pay $3,330. How can that be?

ALTMAN: That ***will*** be in 24 years.

(LAUGHTER)

That's when the full effect goes down.

BLUMENAUER: Oh, in 24 years. So this won't affect whether she buys a latte or not today.

(LAUGHTER)

It's for her this year, next year, the year following its 50 cents a week?

ALTMAN: And in fact, as Chairman Larson always says, "If you--if she does buy a latte, this is a much better investment."

BLUMENAUER: I wanted--I just want to make clear that the games that are being played here in terms of statistics, looking at wild percentage increases. That's not the case. I mean, it's in terms of real dollar impact. It's 50 cents a week and maybe 20 years from now, there's a large sum but the benefits are even bigger in the economy.

I--I've gone over my time, I apologize. But I appreciate your clarifying that. That you're not in alternate universes.

LARSON: The Chair--

(LAUGHTER)

ALTMAN: --And if I could just say--

LARSON: --The Chair recognizes the gentleman from Pennsylvania, Mr. Kelly. Thank you.

KELLY: I thank the Chairman. And--and also, I want to commend you because this is a problem that's been looming for quite some time. And we always ***keep*** talking about we're going to have to do something about it in the future. Well, the future is now. So this starts an--a critical conversation in fixing ***Social Security*** is--is something I don't think any of us disagree with. But the devil is always in the details. And now, I mean, there's some references about wild estimates being made that the fact that the largest increase we've ever had $1.2 trillion over 10 years, $19 trillion, over 75 years actually comes from the ***Social Security*** actuary, not something was dreamed up in the back room, so that we could throw some type of a negative light on what we're trying to do.

I'm really interested, Ms. Brozyna, I'm also a small business person. And I think sometimes we become confused as to where this revenue for ***Social Security*** comes in. And--and I want to get with Ms. Altman. I--I'm not surprised the beneficiaries when you're polling said they don't want any cut in the benefit they're receiving. That's probably one of those things that if you know the answer you want to get to, ask the right question. But every single penny that goes into this, tell people where this comes from because I think sometimes we get confused as to where does the money actually come from. It does not come from the government.

BROZYNA: No, it's coming--it's--it's coming from sales. It's coming from business and when you're adding, even if it's 50 cents a day, or whatever the dollar amount ends up being, it's adding to their bottom line that they're not going to be able to grow. They're not going to be able to invest in their business. They're not going to be able to invest in their people. They're not going to be in invest in their future. ***Most*** businesses, they're looking at a 401k. They're not thinking about ***Social Security*** as their beneficiary to retire at. They're thinking about their investment in their 401k. That means less money to be able to put in there.

I know lots of people are trying to--lots of small business owners and friends and family of mine, they're trying to put more money into their future by investing as opposed to thinking about ***Social Security***. But the bottom line is, is that any new tax--any new is a burden on small businesses. And it's a burden on their bottom line of paying their bills. ***Most*** small businesses that are sole proprietors or even LLC, they don't have workers, they are themselves the employee. They're paying the total brunt of that. And quite honestly, I mentioned the three to five years to break even, they're not even paying themselves. So they have to have a spouse or significant other, that's actually helping by subsidizing and feeding, in on their household income as well in order to be successful. And I just feel by example and seeing it firsthand. The more burdens we put on small businesses, the less likely they're going to be successful.

KELLY: So the--the taxes it we're talking about though because ***most*** people in small business--the years that I paid the ***most*** taxes were, oddly enough, they were the years that we were the ***most*** profitable because you pay tax on profits.

BROZYNA: Yep.

KELLY: But the years I haven't paid one penny in those taxes, I still had other taxes I had to pay. The cost of operation goes on and some things you're held responsible for whether you're profitable or not profitable. You talk about five years before you finally reach that point where you're taking off. I think that's sometimes where the disconnect is.

BROZYNA: Well, in--when you're talking about that profit margin, you're talking about breaking into that you're--you're eliminating the opportunity for the positive side versus the negative side.

KELLY: Yeah.

BROZYNA: The profit margin.

KELLY: Well, a dollar can only be spent at once. So whether you buy equipment with it, increase your payroll, whatever you do, or pay taxes, that's $1that's no longer left for you to work with.

The real concern I have though--and again, I think Mr. Larson, he--this is his whole--and I think this is the whole reason for getting up in the morning and really is making sure that ***Social Security*** stays solvent and we're all concerned learned about that. I'm just trying to figure it out. It just doesn't make sense to me where we are right now that we can't come up with some kind of a fix for it. And we're going to have to do that. But where you are because this is what it comes down to.

Every single penny comes out of a taxpayers pocket. It doesn't come from the government. I think it's so confusing sometimes. Listen to the district I represent, 174,000 people are beneficiaries of the 705,000 people that I represent. This is critical to their well being. I just think there is a way to get there. I'm not sure exactly what it is today. I just don't think that adding to the cost of operation. And especially in those years, when you don't have any profits, we're adding to your burden and then holding you responsible for not caring about people. If anybody on this dais tells--tells you that there's anybody in an elected office that doesn't care about the people they represent, that is an outright falsehood.

And again, the failure of having good policy always turns to something else. And it's always, let's try to make the other side look worse. I'd just like to do--see us at one time come together. Mr. Larson, I think you're starting something that's really good here. There's no reason why we can't come together as elected representatives of the American people to come up with--a--a fix for this. It has nothing to do with being Republican, a Democrat, an Independent, or whatever it is that you choose to be. That's the beauty of being here. But we do have common concerns. And we have to come up with a common fix. Thank you.

LARSON: And I thank you. And just a reminder as well, since the Fed reported since 2008, 90 percent of all Americans have not recovered their wealth and assets. And those Americans rely on ***Social Security***. During that same time. ***Social Security*** never missed a payment.

And with that, I recognize Mr. Kind from Wisconsin.

KIND: I thank my friend from Connecticut and I'm glad to see that there's bipartisan recognition towards you, John. That you've started a very important conversation. And there's also bipartisan recognition here today that time is not an ally for us to fix a system that we know is going to be looking at some draconian automatic cuts unless Congress gets our act together and takes a decisive action. So I compliment you and commend you for the hard work that you've done here.

Mr. Goss, let me start with you. Address this issue that all of us hear repeatedly back in our congressional districts, if those darn politicians had just ***kept*** their hands off the ***Social Security*** trust fund, we wouldn't be in the problem we are today.

GOSS: ***Kept*** their hands off the trust fund. Well, the law that you all put into effect and the Senate also says that every dollar that comes into the ***Social Security*** trust funds must be invested in interest-bearing ***securities*** backed by the full faith and credit of the US government. That has always been done. We expect it always ***will*** be. And those monies are as secure as any investment that can be made anywhere. Money that go into the trust fund cannot be spent on anything other than ***Social Security*** benefits. It's always been the case and we certainly expect that ***will*** be the case in the future.

KIND: And up until, I think, next year, we've had the luxury of being able to run a slight surplus where that money was being invested in this trust fund. But now we're going to start depleting that trust fund starting 2020 until 2035. Is that right?

GOSS: Exactly.

KIND: And then 2035 that trust fund ***will*** be deployed and that's when the automatic cuts would have to occur if action isn't taken as accurate?

GOSS: Well, that's the point at which the continuing revenue coming in ***will*** be insufficient to pay the intended full-scheduled benefits and the law exactly how that would be handled is--is not clear.

KIND: It's kind of then one of the--the errors of the original system wasn't it? That it wasn't a--a defined contribution plan? This was a pay-as-you-go type of system. Where current workers are supporting current retirees is that--and in the past, when we had many workers in the system and few retirees, it worked perfectly. And when life expectancy wasn't as long, no problem. But suddenly those dynamics have caught up with us demographically, haven't they?

GOSS: Well, initially when the benefits first were paid in 1940, people had to have worked for two of the last three years to get a benefit. Few 85-year-olds were in that position. So we had very few beneficiaries. But we were getting payroll taxes only 1 percent each employer-employee initially so we were able to pay very little. The history seems to suggest that the reason we did not go for fully advanced funded system at that point was the economy was bad. We were coming out of a depression and therefore levying taxes at the level that had been required to fully advanced fund the system, only providing benefits for people who are starting to work then and no benefits for 40 years would not have been an appropriate--

KIND: --Let me ask you this.--

GOSS: --thing to do.--

KIND: --And we're having a conversation today about benefit adjustments, revenue adjustments, and that but what we also need to have as part of the conversation, I think, is workforce participation because get more workers in paying FICA taxes that could solve a lot of problems. Unfortunately, I don't see a baby boom on the horizon. And even if there was it's not going to catch up with the current 10,000 a day baby boomers that are currently retiring and entering the system. But there's another way of increasing workforce participation, isn't it? It's through comprehensive immigration reform. If we did that and brought more workers in would that help the solvency of the ***Social Security*** system?

GOSS: More immigration is definitely a positive for ***Social Security***. Not only if they come in at relatively young age for their own work but also they have children. And the more births that ***immigrants*** would have also contribute towards the growth and the size of our population and changes, ***most*** importantly, the age distribution of our population. As you indicated, what we really have facing us over the next 20 years starting actually about 2008 is a fundamental shift in the age distribution of our population, largely because of the drop in the birth rates after the Baby Boom era.

KIND: And isn't it true that a typical ***immigrant*** is paying more into the ***Social Security*** system that they actually drawn benefits?

GOSS: That--that is almost certainly true, especially people who come to the country and are not yet legal permanent residents. By and large, they ***will*** not receive benefits at all.

KIND: Since I'm running out of time, let me just get to my final point. I'm one of the few if maybe the last Democrat that hasn't co-sponsored Mr. Larson's bill and we're in deep conversations about it. But one of the hesitancies I have and the points has been made, that relying on just the FICA tax increase, you're relying on the ***most*** regressive tax in the tax code in order to--in order to pay for. And that's kind of the genius of--of John's proposal is using the existing structure of revenue and tweaking it making some adjustments and filling in the gap that needs to be filled in.

But the true wealth in our country isn't being created through payroll recipients, it's through capital ownership. And it's your stocks and your bond owners, your real estate, your hedge funds, your private equity, this is where the wealth and the income inequality is expanding. So there may be other creative ways for us to be able to replenish the drop in revenue, rather than just relying on the ***most*** regressive tax in the entire system and expecting lower and--and middle-income families paying more in--in FICA taxes.

So, John, that's one of the things I want to talk to you further on and see if there's any other way we can think creatively on the system. But thank you so much for the work you've done in advancing it and appreciate the panel's testimony today. I yield back.

LARSON: Well, we welcome all ideas that people have but we'd like to get them in writing and what the proposal is because I think that that's always the best way to do it. And with that, let me--

UNKNOWN: --Mr. Rice.--

LARSON: --recognize Mr. Rice.

RICE: Thank you, Mr. Chairman. This is certainly an interesting conversation. And I've heard now the Chairman and Mr. Kind and Mr. Blumenauer all say that this is a start of a conversation. And I thank you, Mr. Larson, for bringing this as far as you have. I--I don't think that the plan in its current form is it's a finished product. I think it's a conversation starter. I think if we brought it forth in its current form, I don't think it would go anywhere.

You know, my area is growing very quickly with folks retiring from the northeast into South Carolina. And certainly, ***Social Security*** is extremely important to that demographic. And--and, obviously, people are threatened by the potential insolvency of ***Social***--of ***Social Security***. We--we have to solve it. We have to make that promise that we've made to our seniors absolutely golden. I 100 percent agree with that.

But the basis--the basic problem here--you know, with the Baby Boomers retiring and the reduced birth rates and all that is that we didn't quite withhold enough. That's--that's the basic problem. We didn't quite withhold enough. So if we didn't withhold enough during our Baby Boom generation, if I didn't pay enough in personally, then who should make that up? I mean, should it be those people? Or should it be the--the younger generation who already face a whole lot of problems that we didn't face come through as Baby Boomers. In fact--you know, I really focus really hard on trying to make sure that this younger generation has as much opportunity as we did when we came out of school. I'm really concerned about that. And here now, we're talking about not only them facing this reduced opportunity, but oh, gosh, we didn't withhold enough on the Baby Boomers, so guess who's got to pay for that? You guys do. And that doesn't--you know, our children do and our grandchildren do. And that truly, basically does not seem fair at all to me.

So--you know, when I want to get straight on the math. Mr.--I'm sorry, I can't--Goss. Mr. Goss. There's been all this talk about the math is wrong. But let's take a guy who makes $60,000 a year, he's got two kids, $60,000 a year's about median household income. So he doesn't have to pay hardly any income tax. Right? But he has to pay the ***Social Security*** tax. Let's say the guy's a plumber. So he pays both sides. Right? He gets a 1/10 of a percent tax increase year one. Right? $60,000, that's 60 bucks. That's not much. The year two is that $60 plus another $60. Right? So now we're $120. Year three, another $60 is $180. Year four another $60. That's $240. And when it's fully phased in, the guy who's making $60 grand a year and got two kids, he's paying another $1,440 a year to cover the fact that we didn't withhold quite enough. And that truly seems completely unfair to me.

We need a balanced solution. We've got--nothing's going to happen. It's got to be bipartisan, all these fixes for ***Social Security*** has always been bipartisan. You talk about a plan. Well--you know, President Obama actually saw a bipartisan solution. And he put forth the Simpson-Bowles Commission. Simpson Bowles Commission had some really interesting ideas on how to fix ***Social Security***. It was handed out by Erskine Bowles and Alan Simpson, a Republican and a Democrat and it had Republican and Democrat members. And they came up with broad solutions on how to fix it. President Obama got the--got the recommendations and stuck them on the shelf and that's where they've been ever since. But that might be a good starting point.

We have to do this though. This is something I agree with Mr. Blumenauer. This--***Social Security*** ***will*** never be allowed to become insolvent. Everybody up here recognizes that. It's just a matter of--of actually starting a bipartisan conversation, having these hearings on a bipartisan basis, and really exploring solutions rather than throwing up a plan and saying, "This is the plan and we're going to take this or leave it however it is."

So again, my friend, thank you for bringing this up. And I look forward to meaningful conversations. As Mr. Blumenauer said we haven't really had a meaningful conversation. I look forward to meaningful conversations on how we address and correct this problem. I yield back.

LARSON: I thank the gentleman. And we look forward to meaningful plans as well. And so with that, I ***will*** recognize Mr. Pascrell from New Jersey.

PASCRELL: Thank you, Mr. Chairman.

The James Hatfield, Ernest Hemingway, John Donne, and one of my favorite musical groups, Metallica--

(LAUGHTER)

--all asked For Whom the Bell Tolls? For Whom the Bell Tolls? And that's what this is all about here. I've heard the same speeches for--since I've been here. Ten years ago, 20 years ago, about don't worry about it. We always get down to this point and then we rise up like the sun and we take care of ***Social Security***. Well, if you take that attitude, we're going to wait another 10 years and then we're getting very close to the red line. We talked about the red line in terms of the environment. Now we see tangible signs all around us. We're not so sure.

What are we going to do we do next? This is a critical question. Not only for those people on ***Social Security***, for a lot of children who are on ***Social Security***, for a lot of people SSI. Talking about a lot of people there. We've been through the possibility of privatization. I made a commitment when I ran for office, I would never vote for any kind of privatization or cutting benefits and I am sticking to it. That's it. That's my story.

And I want to find a way. I want to be part of all of us finding this solution. And John, you brought us to the water. And he's done a great job in doing that. There isn't one meeting I've ever gone to with John anywhere in this country. I've traveled with him. And he always listens to ideas. The argument--the argument that we--you know, about what's fair. Why should some people have to pay for other people? We did that with healthcare up until 2009. And Democrats paid for what they did in the next election. But we did what we had to do. It wasn't perfect, we never have passed perfect legislation.

So, Congress and this panel, particularly, we have a--we have a very special responsibility. We--our nation's core retirement ***security*** system is lurching towards insolvency. I'm not satisfied with the response that, "Oh well, we've been through this before. Don't worry. Everything's gonna be fine." Every year we get closer to the DEW line. It's no longer we'll be the distant earning--early warning signal. We'll be there, we'll be there. How many people just live on their ***Social Security*** check? How many?

So we all try to help in the cause to get the solution. It's called democracy. And when we try it, it works. Not all the time because no one's perfect here. ***Social Security*** lifts more Americans out of poverty than any other federal program, 21 million people last year. That's a great number.

I want to ask a question to Nancy, if I may. Ms. Altman, in--in your testimony--you know that the features of ***Social Security*** are not found in private alternatives. Can you elaborate on why a private alternative would not match ***Social Security***?

ALTMAN: Exactly. ***Social Security*** has the best features of both defined contribution plans and defined benefit plan.

PASCRELL: Go for it, go for it.

(LAUGHTER)

ALTMAN: So that ***Social Security*** is completely portable from job to job. It's good for longterm employees. It's also good for short term employees. So that those are the features of defined benefit defined contribution. But in addition, it has benefits you cannot find and cannot purchase in the private sector. So for example, if you have a--a spouse, you have a joint in survivor annuity piece but unlike private sector, where the--the life insurance piece goes down, this is an add-on benefit. You have benefits for children, which you do not generally have under traditional pension plans. You have the disability insurance and the survivors insurance. The actual--the--Mr. Ross's office has calculated the value of these benefits and it is hundreds of thousands of dollars for someone earning about $30,000 with two young children.

PASCRELL: Thank you very much. Thank you, Mr. Chairman.

LARSON: Schweikert is recognized. Schweikert is recognized.

SCHWEIKERT: Thank you, Chairman Larson. Mr. Brady, okay, I want to walk through I think you're going to hear Republican-Democrats, we all agree. Got to protect the system. We are doing great violence to the system here unless we have sort of an honest unified theory. So let's think. What did we do on the floor yesterday? We took care of a small portion of the multi-employer pension systems that are collapsing. But we only took care of maybe 20 percent of them. The others, we just--we cut adrift. How many of us have actually read articles understand what's happening at our municipal level, our state level, a number of private pension systems? And we have to deal with the reality of ***Social Security*** in some ways is the math is easier. And I compliment Mr. Larson and his team for the math they've given us it's actually helped us work on our unified theory. Medicare is the--you know, 110,000-pound gorilla that's--that's driving us. So let's walk through some of the math and then I'm going to bring you only one board today. I thought that would make you happy.

(LAUGHTER)

Next 10 years, 91 percent of the spending increases in this government--next 10 years, 91 percent are just ***Social Security***, Medicare, healthcare entitlements. Next 30 years, if you remove ***Social Security*** and Medicare, the budget, the cash balance is actually in the trillions and trillions and trillions on the positive side. If you pull ***Social Security*** and Medicare in--now, this board is a year out of date, the updated board but the numbers are pretty similar. We're $100 trillion in debt just from the growth of ***Social Security*** and Medicare. You cannot. It is dangerous to have a conversation of only Medicare and not ***Social Security*** and ***Social Security*** without Medicare and the other pension liabilities. I beg of you.

Because here's my--here's my fear of the violence we do in the retirement system. And our actuaries would probably really appreciate this. If we solved the ***Social Security*** portion of that, where are you getting the cash to deal with the Medicare portion? Where are you getting the cash to deal with the rest of the multi-employer? Where are you getting the cash to deal with the municipal? Where are you getting the cash to deal with the states? Understand unless we step up and deal with this in a unified theory, the cascade of violence that's coming to retirement ***security*** is crushing.

I appreciate wanting to talk about ***Social Security***. And--you know, we do these things, we can raise these taxes, change these populations, change these contributions. Okay, you did the easy part. Unless we're going to start to add in the Medicare, which is the much larger portion. I mean, think of this, over the next 10 years. And this isn't ours, this is Manhattan Institute numbers based on Congressional Budget Office. Okay, total cash shortfall with interest, ***Social Security*** about $30 trillion. But Medicare itself is well over $70 trillion. Don't do one without the other. Gotta step up and do it all together.

And then with the other proposals that are moving around this body, it seems like we have just avoided the reality of the--the biggest discussion and demographics aren't Republican and Democrat. We have 74 million of us who are Baby Boomers. How did Congress miss that there was 74 million people who are going to turn 65 in an 18-year period and we just now discovered it? So for my Democrats, for my Republicans, for my witnesses, understand, I know we all talk our book and the thing we're ***most*** interested in. But unless you come to us with a unified theory, of what we're going to do with all the union pension plans that are collapsing, all the municipal plans that are collapsing, the state plans that are in great stress, and then to actually put Medicare, ***Social Security*** and the other plans that we guarantee whether it be from the--you know, for our veterans, for public employees, everything else, it is what consumes every dollar of this government in the next multiple--next three decades.

I beg of you, it's time to step up and deal with the reality. It's called math. Yield back.

LARSON: I thank the gentlemen. And now we'll go to recognizing two Democrats. And--and then back to the Republican side. The Chair recognized the gentlemen from Illinois, Mr. Davis.

DAVIS: Thank you very much, Mr. Chairman and let me commend you for the passion and enthusiasm that you brought to this process. And the tremendous interests that you have helped to raise across the country in what I consider to be one of the ***most*** important issues facing us.

You know, listening to this conversation sort of reminds me of my father that we finally got to retire after he was 87 years old. Because he was always seriously concerned about pride, self-sufficiency, the notion that he could take care of himself, and he didn't need any help. And so after being 87, he lived with me on the weekends when I was home. So I got a chance to really see him in action. And he always wanted to pay for things. We'd go to dinner and he'd say to my wife, "Vera, I'm going to pay for your dinner." Of course, his ***Social Security*** check was $567 a month because he was a small business person. Actually, he was a sharecropper--

(LAUGHTER)

--and worked hard for all of the time that he worked. But self-sufficiency was a big deal with him.

And that's part of what ***Social Security*** means to many of the people in the community that I represent. Thousands of seniors citizens who live in colonies of senior buildings. And all of them are basically drawing small ***Social Security*** checks. They take care of the small businesses in the areas where they are. And without their checks, these small businesses would not exist and they wouldn't neither.

I've always taken the position that money to the economy is like blood to the body. As long as you can ***keep*** it circulating, moving back and forth, around from this person to the next, from this business to the next means that the economy is okay. The same way if the blood ***keep*** circulating in the body, you're doing all right. But if you get too much of it on one side--

(LAUGHTER)

--or if it's not getting to every part, then you get a kind of paralysis. There's no movement. There's no activity.

Mr. Goss, let me ask you. How does ***Social Security*** really impact the total economy? Because I see much of this as an investment that ***keeps*** us strong and healthy. What do you think about?

GOSS: That's a really good question. You see it affects the total economy. We know that under current law, ***Social Security*** from workers and workers' earnings are what about 35 percent of total gross domestic product, that ***Social Security*** on that 83 percent split the tax maximum levies a 12.4 percent payroll tax now. Nobody likes to pay payroll taxes but that is paid in. That's close to a trillion dollars that is brought in in taxes.

However, because ***Social Security*** is a pay as you go system, essentially, that same amount of money goes out to beneficiaries. So one of the questions in economics is who's paying and who's receiving? Pay as you go system is basically a redistributional approach. And in terms of generating economic growth, one thing you need to have to have economic growth is to have demand for goods and services. And especially under this bill, where much of the payroll tax increase would be people above our current $132,900 taxable maximum, not immediately, but far out in the future. Those individuals, as an economist would tell you, have a relatively low marginal propensity to consume. Each extra dollar of income, they're going to probably spend less of that on buying goods and services. Whereas our beneficiaries, if we maintain the benefit scheduled and current all, instead of having the 20 percent or 25 percent reduction, they ***will*** tend to spend more of that additional money that they're able to retain on--on buying goods and services. So it's--it's at least on balance, probably a net--a net nothing effect and possibly a net positive effect, what ***Social Security*** does for the growth of GDP.

DAVIS: Thank you. Our time is up. Thank you, Mr. Chairman.

LARSON: Sanchez.

SANCHEZ: Thank you, Mr. Chairman. And to all of our witnesses, thank you for joining us here today. I do want to also add my voice to those that are thanking Chairman John Larson for his leadership on fighting to protect and strengthen ***Social Security*** for current and future retirees.

Social Security isn't just a guarantee and it's certainly not an entitlement. I hate that--that term because it's an earned benefit that working Americans pay into over the course of their careers. More than 112,000 seniors in my district depend on that benefit to survive and the ***Social Security*** 2100 Act ***will*** give them a much-needed increase to account for the true cost of living that they're facing. The reason that current ***Social Security*** benefits are inadequate isn't just because traditional defined benefit pension plans are increasingly rare. ***Social Security*** benefits are calculated by your lifetime of earnings and women and people of color are inherently at a disadvantage when it comes to their earnings because on average they're paid less over the course of their lives and have higher rates of disability than their white or male counterparts.

Being a Latina woman, I am acutely aware of that. Without ***Social Security***, 46 percent of Latino seniors would live in poverty, less than a fifth of Latinos receive retirement benefits from something other than ***Social Security*** and that is lower than any other demographic group. That means that they're scraping by on a meager average annual income of a little over $14,000 for Latino men and about $12,000 for Latinas. The death of a spouse can make that disparity even harder. The average widow sees a 33 percent to 50 percent reduction in ***Social Security*** benefits after the death of her spouse. However, they need about 79 percent of their combined income to maintain their standard of living as a widow. That's why I've introduced a bill to ensure that widows and widowers maintain 75 percent of their combined income after their spouse passes.

Ms. Altman, I'd like to ask you if you could please expand on the difficult financial choices that widows and widowers face after losing a spouse and how additional benefits could help them?

ALTMAN: Absolutely. And I think your legislation is extremely important. The--the ***Social Security*** has really transformed the nation and really reduced poverty among seniors in particular. But there still are disproportionate pockets of poverty. And one of those are widows as well as divorced women. And single women are in that category too. So that--that when you've got a two-earner couple and one of the spouses dies, the man dies, the woman is--is left, the income is cut in half. And often your expenses don't drop by half. And that's why--

SANCHEZ: --Expenses ***keep*** going up.

ALTMAN: Your expenses ***keep*** going up. It's--it's why your bill's important. Also, why the 2100 Act is important because not only are they across the board increases, women--Hispanic women in particular but all women, on average live longer than their male counterparts and having an adequate cost of living adjustment so the benefits don't decline over time--erode over time is important.

SANCHEZ: Yeah, that's one of the major features of Mr. Larson's bill that I'm very, very excited about.

Ms. Zapote, I know firsthand how difficult caregiving can be. And I've been proud to work with my colleague, Mr. Kelly, on a bill to provide a tax credit for caregiving. The ***Social Security*** 2100 Act also provides much-needed support for caregiving. Can you talk a little more about how this bill would help workers provide care to their loved ones?

ZAPOTE: Yeah, especially when it comes to the caregiving credit. We need to ensure that families especially women, who usually tend to be the ones that caregive for their families, whether they are mothers, or whether they are taking care--or our daughters taking care of their families, we need to ensure that when they take time off of work, when they take time, when they decide to completely leave their job to get--to caregive full time that there is a caregiver credit at the end of their lifetime. So that it can ensure that they do end up getting their full credits at the end of their lifetime to be able to get their full ***Social Security*** benefits. And so that is something that would consequently be the saving grace to some of these Latino families in and their intergenerational homes.

SANCHEZ: Okay, and Ms. Zapote, the proposals that we hear from the other side of the aisle to supposedly strengthen ***Social Security*** would actually either mean a less generous COLA or an even higher retirement age. Can you talk about what this would do to the disparity between Latino retirees versus their counterparts?

ZAPOTE: Sure, I think just in general, being a millennial, we're already seeing benefits cuts because we won't be able to retire until we're 67. That is a benefit cut in its own. Secondly, when we're looking at the different areas on how to actually give better benefits to Latino communities and actually all Americans all around because whatever benefits Latino communities ***will*** actually benefit Americans across the board. We need to ensure that these different pieces of legislation are being set up to ensure that these American families do have enough money at the end of their lifetimes.

SANCHEZ: Thank you so much. And I yield back.

LARSON: Ms. Walorski.

WALORSKI: Thank you, Mr. Chairman. Thank you to all of our witnesses for being here today and sharing your expertise.

It's no secret that ***Social Security*** is in desperate need of long-term financial stability. In the near future, it faces a shortfall in the trillions of dollars and an impending inability to fully pay up benefits that Americans have rightly earned. I share the same goal as every member on this dais to ensure that this crucial program is protected for current recipients and future generations. And I know firsthand how impactful these benefits are in the lives of Americans with a mother of which I am a caretaker of who received ***Social Security*** benefits.

Clearly, these significant financial issues with ***Social Security*** must be addressed sooner rather than later. But massive tax hikes on hardworking Americans as proposed in the ***Social Security*** 2100 Act are not the way to go. Especially when we work so hard to lessen the tax burden on millions of American families with the tax cuts and JOBS Act. These tax hikes would only serve to hurt American workers and undo the growth we've seen with our nation's small businesses.

I'm also disappointed that the Democrats proposal does nothing to address a problem known as the retirement earnings test, which reduces benefits for ***Social Security*** recipients who haven't yet hit their full retirement age and continue to work. The RET limit--limits choices for seniors and acts as a disincentive for those who want to continue working after claiming ***Social Security*** benefits. This Congress I'm proud to lead the Senior Citizens Freedom to Work Act formerly championed by ***Social Security*** subcommittee Chairman Sam Johnson, which would eliminate the RET for all ***Social Security*** beneficiaries and build upon legislation in 2000 that eliminated the RET for those at their full retirement age.

I hope that we can work together hope. I can work with my colleagues on the other side to move this common-sense provision and ensure that seniors have the freedom to work without being penalized by the government.

Changing gears just really quickly. Mr. Goss, the Larson plan cuts taxes for seniors by increasing the amount of earnings a person has to have for their benefits to be subject to income taxes. This is an idea that does have bipartisan support. However, while the Larsen plan increases the thresholds for the tax on benefits to start, it does not index them. This is the same problem that we have with current law. If the $25,000 threshold created in 1983 had ***kept*** up with inflation, what would it be today?

GOSS: Back at that time, the--the rate of increase in inflation by the CPI has since 1983 up to 2019 increased by about 150 percent. Therefore, the $25,000 threshold for subjecting benefits to tax for a single filer if it had gone up by two and a half, it would go up to $62,500. And the--for the joint fire, the $32,000 threshold would have gone up to $80,000. So in the Larson bill, those numbers would be taken up to $50 and $100,000. Fifty is not quite as high as the $62,500 for single filers. But actually, $100,000 is higher than the $80,000 for the--for the joint fires.

WALORSKI: Gotcha. So while the Larson plan increases the thresholds, it doesn't treat seniors today the same way as seniors back in 1983. I think we need to make sure that our seniors aren't facing a backdoor tax increase due to poor policy design, such as what we're talking about today. Such an increase could be devastating on many seniors especially those who have carefully budgeted every penny for retirement over the course of years. Any plan to address ***Social Security*** should make the lives of seniors easier, not burden them with surprise tax increases.

As this committee continues to evaluate proposals on ***Social Security***, I hope we can work together to protect seniors' benefits and prevent them from being unfairly taxed. And Mr. Chairman, I yield back.

LARSON: Thank you and we look forward to working with you and everyone on the committee with their written proposals.

Chair recognized Mr. Higgins.

HIGGINS: Thank you, Mr. Chairman. You know, our colleagues on the other side have talked about program solvency. And they talk about math but every time they talk about math, they leave the room, when the very thing we should be talking about is the math.

In 2017 there was broad support for corporate tax cut of 14 percent that added close $2 trillion to the deficit over 10 years. The federal budget deficit and the national debt today are growing at an alarming rate. The national debt has increased $3 trillion in the past 24 months. This year's budget deficit ***will*** exceed $1 trillion. Meaning that we ***will*** spend more than a trillion dollars than we take in. American taxpayers ***will*** pay $360 billion in interest on the debt this year. ***Social Security*** has a trust fund of $2.9 trillion. By law, the money that is not paid out in benefits are invested in Treasury ***securities*** from which the federal government borrows to pay for the government programs that don't pay for themselves. That is cold, hard math.

According to ***most*** economists, a corporate tax cut, including the ***most*** conservative economists, you can expect for every dollar that you give away in a corporate tax cut to recover 32 cents. That's a loss on investment of 68 percent. That's a math problem. ***Social Security***, in addition to being probably or arguably the greatest anti-poverty program in the nation, adds growth to the economy. We have a $21 trillion economy, 70 percent of which is consumption. For every dollar that you put out for ***Social Security*** benefit, $2 in economic growth results.

Seems to me that the math is in Mr. Larson's favor here. You know, we have a demographic problem, 10,000 people every single day turn 65. There are fewer people paying into ***Social Security*** moving forward than we'll more people ***will*** take out of ***Social Security*** that are paying into it. John Larson is trying to take a very forward-looking view of a great program that has a massive surplus, looking at the age demographic and societal changes that are occurring, and anticipating what we should do responsibly to address it.

Not once have I heard a constructive alternative from the other side about what it is they oppose. He has the guts to suggest that, "Yeah, because of these demographic changes, they're going to have to be revenue increases in the form of taxes." That's just an honest approach to things.

There was a day where my colleagues on the other side called themselves deficit hawks. Where are the deficit hawks? Where any of the deficit hawks? Here is a member of Congress, who has worked hard over the last 24 months and before that. To protect, to strengthen ***Social Security***, to increase the amount of monthly checks for ***Social Security*** beneficiaries so that they ***will*** spend it in add growth to the American economy. His bill provides a real cost of living adjustment to ***keep*** pace with real inflation, including the highest cost associated with older Americans that being rising health care costs. And he provides a tax break for some ***Social Security*** beneficiaries that can't afford it and he puts a little bit more burden on those who clearly can.

This is a good bill. Mr. Goss, I'm started taking up so much time, but you're the math guy here. What are we missing?

GOSS: I'd say you've got it about right. I mean, I guess the--the one thing that I would suggest that's perhaps been missed here is discussion of exactly what the effect for Millennials would actually be. If--if you look, for instance, I have one little example here that I worked up. If you look at a millennial born in 1990, that's about the middle of what I understand to be the millennial generation. If you ***will*** get the additional taxes of $50,000 a year millennial earner would have starting in 2020, up to 2043. Remember the 2.4 percent even counting all the 2.4 percent as out of their pocket, the amount of money for a $50,000 a year and the first year would, of course, be only .1 percent, that's $50. It rises up over time. But if you look at the total amount of money that that millennial who would be age 29 this year, would pay up through all the way through age 66. That would come out to be $31,000 of additional taxes they would pay counting the employer and employee share.

Now, if you look at, however, what this bill would provide for them in benefits, it would avoid having what's payable under current law be 20 percent less than is scheduled, rising to 25 percent less. That means that given a $50,000 a year worker would be expecting about a $20,000 a year benefits scheduled under current law. They ***will*** get about $4,000 less than that unless there is some remedy to pay the full scheduled benefit. So if they have a 20-year period of time and benefit $4,000 less, that ***will*** be an $80,000 loss. Or you might say that just getting up to scheduled benefits this bill and others like it would provide an additional $80,000 of benefit for that millennial 29 years old today earning $50,000 paying in an extra $31,000. That's--that's actually a pretty good deal.

Now, lest you think it's magic money, which it isn't. Obviously, if some people pay less for the extra benefits other people pay more. And that is the nature of the bill, why we have the--in this bill, the tax rate applying to earnings above the $132,000 and the top 6 percent of earners.

HIGGINS: Thank you for your math and I'll yield back.

NEAL: I thank the gentleman. Let me recognize the gentlelady from Washington State, Ms. Delbene.

Thank you, Mr. Chairman, and thank you to Mr. Larson for all of his work on this issue. And thanks to all of our witnesses for joining us today.

DELBENE: In 2017, Intuit estimated that a third of the US workforce earn money from the gig economy and that share ***will*** increase to 43 percent by 2020. But gig economy workers have special challenges when it comes to preparing for a secure retirement, especially when it comes to benefit portability.

Ms. Altman, can you talk about the portability of ***Social Security*** benefits and how that directly benefits a gig economy worker?

ALTMAN: Absolutely, as I previously said, ***Social Security*** has all the advantages of defined benefit plans and defined contribution plans, none of the disadvantages and other advantages as well. Gig economy workers are not protected under minimum wage, maximum hour other protections that they should be, but fortunately, they are protected under ***Social Security***. ***Social Security*** is portable from job to job. And in fact, the ***Social Security*** 2100 Act because it updates the special minimum benefit that in the same way, the minimum wage ensures that workers do not fall below a certain floor. The minimum benefit is supposed to do the same thing with ***Social Security***. But it was it has no longer has the value that it used to have. So by updating it as the ***Social Security*** 2100 Act does and have this benefit portable from job to job, it means that those gig workers though they don't get a minimum benefit on their cash compensation, though they should, they ***will*** at least get a minimum of benefit on the retirement income.

DELBENE: Thank you and that's important because we know that ***most*** of ***Social Security***'s rules for retirement benefits were first set in the--in the 1930s. And we haven't really ***kept*** up to reflect the composition and trends of the workforce in a family today. And we also know particularly for women, this has been a huge challenge. Marital parent patterns have changed significantly shorter marriages, those that last less than 10 years mean that spousal or survivor benefits are not often an option. And women use these benefits more than others.

In 2013, the Bureau of Labor Statistics reported that the average duration of a marriage ending in divorce was 9.2 years and just under 45 percent of marriages end in divorce. Then compounding this issue, we know that women are still taking time out of the workforce to care for children, to care for their parents. And women are also punished for doing so, 73 percent of women trying to return to the workforce after voluntary time out for childcare or other reasons, have trouble finding a job. Those who do return lose 16 percent of their earning power.

So again, Ms. Altman, can you tell the committee how these factors combined impact the ***Social Security*** benefits that women receive and how the 2100 Act would address that?

ALTMAN: Absolutely, because of all the factors that you've laid out, and some additional ones as well. There is a persistent gender wage gap in our society. And it's even more severe for women of color. ***Social Security*** can't offset all the disadvantages of the workforce. But it--it does do an awfully good job at offsetting a lot of them. Time out from the workforce because of the weighted benefit formula, the lower wages because of the weighted benefit formula. And because the ***Social Security*** 2100 Act builds on that really strong structure that was put in place in 1935, the--the benefit increase that is the--across the board benefit increase that's in the 2100 Act that is weighted towards lower-income, so should disproportionately benefit women. In addition, because women on average, live longer, the--the updating and the making more accurate, the cost of living increase, also ***will*** disproportionately benefit women.

DELBENE: Thank you very much. I yield back, Mr. Chairman.

NEAL: I thank the gentlelady. Let me recognize the gentleman from Kansas, Mr. Estes to inquire.

ESTES: Thank you, Mr. Chairman. And thank you to our witnesses for joining us today. You know, in the last couple of years, this committee's led efforts to grow our economy and get people back to work. And now we've got to look at how do we help people prepare for retirement after their careers are over. And I think all of us here know that means we need to look at how can we can protect and preserve ***Social Security*** for not just current generations but also future generations as well.

As we mentioned before--you know, if we do nothing ***Social Security*** trust fund for retirement ***will*** be depleted in 2034 which would result in a 21, ultimately up to 25 percent cut in--in payment benefits. And so clearly, we must act and I believe we should act sooner than later because it's going to be an easier solution to make. And I think it's an issue Republicans and Democrats can work together on and--and solve this for--for our country. But we've got to make sure that the solution doesn't involve devastating tax cuts, which ***will*** slow down the economy, put more people out of work.

So, unfortunately, the plan we're talking about today from--from Congressman Larson includes a nearly 20 percent payroll tax increase, which I believe ***will*** hurt lower-income, hurt Millennials and help make it harder for small businesses to give raises to current workers or create new jobs. And that threatens to bring the economic growth that we've seen to a halt or to drastically slow it down, which ***will*** cause us to reverse course. And that's something that--you know, the tax cuts and JOBS act have helped working families ***keep*** more of their money that they've earned.

So in addition to that, the plan results in similar benefit increases for people making $23,000 a year as well as those making over $250,000 a year. And so with the trust fund in danger of drying up, I don't think we need to help the wealthy get more money out of the trust fund. We need to focus on how to come up with a better solution. And so instead of raising taxes, let's focus on what we can do to make sure the ***Social Security*** trust fund supports those that are ***most*** in need.

Reward work and modernize the program. And as always with the case of improving ***Social Security***, we need a bipartisan solution to help make that happen.

I do have a couple questions that I wanted to go through and--you know, one of the things, Mr. Goss, you noted during your discussion that ***Social Security*** revenue can only be used to pay ***Social Security*** benefits. And the--the Larson plan, the Medicare trust fund supposed to be made whole from changes to tax on benefits but it doesn't show anything about general revenue transfers. So can you explain a little bit about how the Medicare trust fund is going to be protected? Is the money going to come from--transfer from SS? Is it going to be transferred from general revenue? Or how's that going to happen?

GOSS: Really excellent question. ***Social Security*** benefits above the $25,000 and $32,000 thresholds now are subject to being taxed up to half or even up to 85 percent for personal income tax. IRS collects that revenue from individuals from paying their income taxes and segregates out the amount that comes from ***Social Security*** benefits. They then divide that up amongst the old-age and survivors insurance, disability insurance, and Medicare hospital insurance trust funds per the law and per the way it's intended to be distributed. So the money really all comes into IRS. The money is then simply provided as directed by law, divvied up if you ***will*** amongst those three trust funds.

ESTES: Right.

GOSS: So what we would be talking about here is there would be a reduction in the total amount of income tax on OSTI benefits going forward. And there--with less money coming in there has to be less money distributed amongst those three funds, this law would say that it's not intending to touch the Medicare hospital insurance fund so it would still get the same dollar amount that we would have were this law not enacted. That would mean less would have come to the OESI and DI trust funds.

ESTES: So--would--wouldn't--if we're raising the caps on salary income--or excuse me, on income in which those--those are taxed, wouldn't there be less tax which means there's be less going into either the old-age or to Medicare trust fund?

GOSS: That's correct. There would be. Of course, somewhat offsetting that, of course, if we start to have larger benefits levels in the future. Larger benefit levels ***will*** therefore by--by way of being larger, there ***will*** be more benefits that can be subject to income tax. So they work in opposite directions.

ESTES: All right. Thank you very much and I yield back.

NEAL: I thank the gentleman. The gentlelady from Wisconsin, Ms. Moore, is recognized to inquire.

MOORE: Thank you so much, Mr. Chairman, and let me thank the witnesses for their patience. You've seen all of us run in and out of here but I was able to hear all of your very excellent testimony.

Let me start out with you--thanking you, Mr. Castle. And apologizing. I am one of the people who is so disgusted by the amount of money we spend on the military and yet when someone like you served, injured, took five years to get your disability check. I am not proud of that as an American. I want to thank you for your service and glad that you have, despite your wheelchair, landed on your feet to be able to do things for Paralyzed Veterans of America.

I want to thank Mr. Goss for doing the arithmetic here because I was busy trying to use my little--you know, Bachelors degree to figure it out. Because I--I was concerned about Ms. Brozyna's daughter who was going to go from $540 a month to $3,300 a month and then realizing that there would be an uptake of that prospectively in the future and you pointed out that it would be a pretty good deal for your daughter in the future to invest in ***Social Security***.

Let me thank you, Ms. Altman, for your--your calm demeanor always reassuring us that ***Social Security*** ***will*** be there for Ms. Brozyna's daughter. For our Millennials.

I want to ask Ms. Zapote a question because I--Mr. Larson, I--my bill--provisions of my bill were unfortunately incorporated in this excellent bill but I did in my legislation allow a caretaker supplement so that years in which a parent has a young child could count as a year of coverage for ***Social Security*** benefits. I also restored the student benefit which had a disproportionate impact on helping low-income people, poor people. You know, and I love ***Social Security*** because while it's not means-tested, the slope of it is such that it disproportionately benefits low-income people, people of color, etc. So I just wanted you to kind of embellish in like few moments here on what difference you think having--you know, a minimum benefit but also that caretaker supplement and restoring maybe the student benefit would have on communities of color and on women and anyone else who wants to weigh in, Ms. Altman, join in. But start with you, Ms. Zapote.

ZAPOTE: Perfect. Thank you, Congresswoman Moore. So, one of the things that I failed to mention when Congresswoman Sanchez also asked me similar question was that with the ***Social Security*** 2100 Act I'm very glad that the -- there is going to be an increase in the minimum benefit as well as the benefit in general so that we won't have to readily use the income of our families to be able to supplement the income of our seniors. But I do think that that supplemental caregiver credit is completely essential because we do need to ensure that folks that do take time off to take care of their family members because we want to do that because that is in our nature to want to take care of our families. We need to ensure that those folks are also retiring with the maximum benefit that they can. Secondly, with the benefit for children who -- that may be disabled or that are beneficiaries, if their parents have passed away, it is completely essential. In 1983 when we did away with the timeline of having that benefit for students to be reduced from 22 years old to 18 years old, now we know that tuition has completely hiked up, that that amount -- that that help and benefit would completely, completely be able to help--

MOORE: And, Ms. Altman, I mean how dumb was that? My sister turned 18 in 1964 when she was 18 and didn't go to college right away. Ms. Altman, can you weigh in on my proposal?

ALTMAN: The concept behind the student benefit is that when a parent dies or become disabled, ***social security*** which is all of us together step in in that parental role. Now, ***most*** parents if they can afford it, they help their children get higher education. And so, as we stepping into for ***social security***, we should do exactly the same thing.

MOORE: Thank you. Mr. Castle?

CASTLE: And I would also like to point out very quickly that it's a veteran's issue. Including my wife, my wife is my caregiver. My wife left her job of 15 years as a schoolteacher in the state of Alabama to become my full-time caregiver so I could return to work, so I could go back to school, so I could live a full and caring life. That is something that happens in a significant number of cases for veterans. Older veterans, younger veterans who are strongly disabled, non-service-connected veterans that their caregivers are mothers, fathers, sisters, brothers, aunts, uncles, step out of the workforce to take care of them. So, this is something that is a significant issue, not just to the general population but also veterans who deserve the ability to have their family members take care of them long term, but they also deserve the ability to collect on their ***social security*** benefits when the times comes.

MOORE: And to stay at home.

CASTLE: And to stay at home and be taken care of. Absolutely.

MOORE: Thank you for your indulgence, Mr. Chairman. I yield back.

NEAL: The gentlelady -- let me recognize the gentleman from Michigan, Mr. Kildee to inquire.

KILDEE: Thank you, Mr. Chairman, for holding this hearing. It was obviously a very important topic. ***Social security*** is vital to ***security*** in our country. It's vital to economic ***security*** and it's particular vital in achieving what was its initial mission that is to reduce poverty among seniors in this country. But obviously it goes much beyond that now. More than one in six Americans benefit directly from the program including obviously retirees but spouses and children, disabled workers. This is the ***most*** successful ***social*** insurance program in the history of the world. And it's something that we have an obligation as I know the Chairman and particularly Mr. Larson have said we have a responsibility to make sure that we safeguard this program. So, our work in trying to achieve that is necessary. It's not just a good idea to improve ***Social Security***. It's an obligation that we have. And simply talking about the problem and not offering concrete solutions doesn't do anything to ensure that this program is going to be there when people need it. There are lots of aspects of this proposal, ***Social Security*** 2100 that I support, and I'm a proud co-sponsor of this bill. One of the areas that I'd like to zero in on, you may have already touched on, but I'd like you to address, particularly Mr. Goss, if you could address the issue of the changes in cost of living allowance. And again, you may have touched on this but for me could you just address that a little more specifically in terms of what the differential would be between what the current calculations based upon and what 2100 would have COLA based upon?

GOSS: Absolutely. Thank you very much. I mean initially when the cost of living adjustment automatic was developed there was only one CPI index to choose from. It's what we now call the CP index for urban wage earners and clerical workers. Since then the PLS has developed several others including the CPIE which is based on the purchasing patterns of people 62 and older, which is coincidentally the age of our retirees and the purchasing pattern and the nature of income for people 62 and over is probably not terribly dissimilar from ***most*** of the rest of our beneficiaries, disabled beneficiaries who are younger but nonetheless are generally not in any meaningful amount of work. So, given that, obviously this bill puts forth the possibility of using consumer price index based on the elderly purchasing patterns which as I think a couple people have already noted is weighted somewhat more heavily than for urban wage earners and clerical workers towards medical expenditures and medical expenses we all know too well have been tended to rise faster than prices of other goods and services. Argo the slightly faster rate of growth and CPIE.

KILDEE: So, is it fair to say then, given the true market basket, if you'd call it that of products and services that a senior or a typical ***social security*** recipient is likely to require, is such that if we don't make this change the net effect, given that that market basket is fairly predictable, is even though a cost of living allowance would apply, the purchasing power of a senior compounded over time particularly actually goes down. So, we're actually putting more financial stress on the very recipient that we intended this program to support by not aligning the cost of living allowance with the market basket of goods that is a more predictable market basket for those recipients. Is that a fair way to characterize the change?

GOSS: I would say that's correct based on the market basket as determined by the BLS from their surveys of people in our economy. No question.

KILDEE: Thank you. And this just points out that what we have to do, even though this program obviously has been around for a long time, we have to continually look at the reality on the ground and make the necessary adjustments in order for the ***social security*** program to achieve its initial mission. It's also worth pointing out that many of the criticisms that we have heard of ***Social Security*** 2100 or as I often refer it -- have it referred to as the Kildee Larson plan, but many of the criticisms of this initiative sound very similar to the initial criticisms that were offered when the program was seen by some as a radical departure from the structure of our economy. This is the ***most*** important thing Government has done. It's the ***most*** important thing that the Government has done, and we have an obligation to make sure that it continues to work. So, I thank the witnesses for your testimony. I yield back the balance of my time.

NEAL: Thank the gentleman. Let me recognize the gentleman from Texas, Mr. Arrington to inquire.

ARRINGTON: Thank you, Mr. Chairman, for holding this very important hearing on this incredibly important issue that I think we all agree needs to be addressed and sooner rather than later or we're going to pay all the more and create all the more disruption and instability and uncertainty for our beloved seniors in this country. I've got to start by, you know, my parents raised me to be honest and I'm going to say that Chairman Larson it takes a lot of courage to put out a piece of legislation to try to fix something so important and it is -- it's a herculean effort to get a bipartisan agreement on anything in this institution but the seniors are counting on us to get there, and I believe you've been a good leader on this, and while I disagree with some of the fundamental provisions and principles in your bill, we need more courage and political ***will*** if we're going to hand this country better to our children and grandchildren than we found it. Period. Cross the board. So, thank you for your good leadership. Now, let me be critical of your bill. No, look, I have a problem with the tax hike. I mean we've just seen this incredible response from our economy and the American people by providing the tax relief that they so desperately needed. People are living paycheck to paycheck. Too many people. When you have eight out of ten Americans that would really struggle if they had an emergency that would cost over $500, that's just -- that's hard to wrap your head around and to think about a 20 percent increase on a very regressive -- not the ***most*** regressive tax on a payroll tax, that -- I don't think that's the solution here. Again, I appreciate the fact that at least Mr. Larson is trying to pay for something around here. God bless him for that. I just don't think this is the way to do it. And look, small businesses are the economic engines of our economy. I used to work with startup companies at Texas Tech in Lubbock, Texas. We called it Silicon Prairie and we were trying to spin out all these tech companies from the university where I was vice chancellor and these sole proprietorships had technologies to help us be more productive in agriculture and help our food supply more efficient with our resources including water and medical devices, drug therapies, and I can't imagine having a 20 percent increase in the payroll tax on the employer and a 20 percent on the employee. It's just too much. 50 percent of these startups ***will*** never make it. And to clip their wings from the outset is -- well it's just a nonstarter for me. So, the WEP is incredibly important to the folks in Texas and in my district, especially those ornery retired teachers that just show up at all my town hall meetings. Like Joann Snider who was at my town hall recently in Demit Texas. That's Castro County, for anybody from Texas. And she said I want the WEP fixed, and I tried to blame it on the democrats, and she said, no, no, no, it's been going on for 30 years. And we've got to be able to take care to fix this low hanging fruit and the inequity that still exists with folks who have income that was covered by the independent retirement system like the teacher retirement system of Texas and the income that was covered under ***social security***. Now I got on that bill because I think it's the Brady Bill, but it used to be the Neal Brady and I encourage my Chairman to get on that bill because I think it's all the better with his name on it. And I'm serious. This is a great opportunity for bipartisan problem solving and this is low hanging fruit. Mr. Goss, can you -- you're familiar with the WEP and the inequity, is this a straightforward fix here? I mean it's just a tweak to the formula so that we make sure the people that have put money into the system are getting the amount back that they are owed.

GOSS: I would suggest that's are reasonable characterization. I'm proud that our office has worked very closely with Mr. Brady and Mr. Neal and their staff on several versions of this approach and there is a different formula that is being put forth for calculating windfall elimination as compared to what was put into the law many, many years ago. I think it's fair to characterize it as a more appropriate, more direct formula that really takes precisely into account the nature of the earnings for the covered and non-covered.

ARRINGTON: I'm out of time. I yield back.

NEAL: I thank the gentleman and Mr. Brady and I continue to converse about this, and we would like to find a path. Mr. Goss, let me ask you, have you found a straight path forward? Is any of your work here in all the years you've been here?

GOSS: I'm sorry?

NEAL: Have you found a straight path forward on any issue that you've worked on since you've been here?

GOSS: A straight path forward?

NEAL: Yeah.

GOSS: Typically, not. And I guess I would not to be too much out of my realm but it is one of the beauties of our society and of our government that we have at least two major parties that can debate and discuss things and come to a conclusion that we can all best live with.

NEAL: Exactly right. The gentleman from Virginia, Mr. Beyer is recognized to inquire.

BEYER: Mr. Chairman, thank you very much and I'd like to add my enormous admiration to Chairman Larson for fighting for this bill for so many years and Chairman Neal for bringing this up. As a major important issue. You know, we have $22 trillion worth of debt. And I consider this great moral dilemma. It's something I worry about every time I vote for a bill that's not paid for it hurts. And it's only because no one in this institution seems to think there's a way forward on raising revenue. And it's -- what drives the debt is Medicare, Medicaid and ***Social Security***. My friend from Arizona, Mr. Schweikert, talked about a grand theory, a unified theory. We've been looking for one in physics for 120 years unsuccessfully. We have an opportunity to address a third of this mandatory spending in a responsible way and we need to do it. I know Mr. Goss has talked about a $19 trillion increase in the fees, taxes coming out of it and just the other half of that is that's $19 trillion that doesn't come from government and it doesn't go to government. It's going right back into the economy to people who have a 100 percent propensity to spend. So, it's going to go to those small businesses that need the purchasing. I have four children and three are Millennials. None of them think ***social security*** ***will*** be there for them. Every time I talk to young people, I ask about ***social security*** and they're all enormously skeptical. I'm a math nerd so let me share what it is with my daughter.

My younger, 24 years old, makes $40,000 a year. We ***keep*** hearing about a 20 percent increase. It's actually one half of 1 percent increase per year for the next 24 hours. And overall the 1 percent with the 7.65 base means it's a 13 percent increase. So, she ***will*** pay less than $20 this next year if this bill goes through and less than 40 the year after that. This is two or three trips to Starbucks. And what it is, is it's not a tax. This is her investment in her future. This is her investment in her retirement. So, all she's doing is paying it forward. And as Mr. Goss has so greatly pointed out, based on her lifespan she ***will*** make back a multiple of what she puts in when she's retired. So, we need to take this as taking it away. And let me speak as a small businessperson. I'm sorry, Ms. Brozyna is gone. But I've been part of the family business. I own half of it for 46 year and I consider a small business because until I ran for office I still knew the name of everybody that worked there. And so, I did the math and based on our increase when fully phased in the increase in our payroll taxes as a percentage of our sales is .00056. That's 5 cents for every thousand dollars of sales. Or if you want to say not sales but gross profit. 4 cents of every hundred dollars of gross profit ***will*** be the increase in our ***social security***. So from a business perspective whether you're a meal size, small size, big size it is trivial, especially when you figure that this is the insurance and the disability side for that -- it's the safety net for our small business. And if we can't afford big picture health insurance and the like, or we have it through the ***social security***. So, there's just so much that I think is really important about all this. Mr. Castle just left so maybe Ms. Altman if I could ask you about just -- I also have family members on the SSDI. Can you talk about not just the old folks but about the folks that are in the prime of life that are relying upon this?

ALTMAN: Absolutely. Disability is something that can strike you rich or poor. Anyone can walk into the street and have disabling accident. Disability insurance is an extremely rare benefit in the private sector. But all of us are covered under ***social security*** disability insurance and the 2100 Act increases it as it should. So, those benefits ***will*** go up as well as the retirement benefits.

BEYER: And, Mr. Goss, I know you went to University of Virginia, so you're obviously very well educated. And you were talking about somebody retires at 66 and may have 20 more years. In fact, what are you looking at in terms of the lifespan of children born today?

GOSS: The lifespan of children born today we're looking at being probably upwards of approaching around 80 and of course it's always tricky to look at the lifespan of people who are born today because they have unfortunately the opportunity to die between now and age 66. So, it's really if we're thinking about the value of retirement benefits it's better to look really at the expected average life expectancy for people who actually get to 66. One might say that well that doesn't really tell the whole picture because how about people who die along the way? That is part of the whole package deal of ***social security***. People who die earlier generally proceeded that death by a period of disability and would receive benefits and many, many of them have survivors that follow after them ***will*** get benefits too. So, it really is a comprehensive plan that covers essentially everybody.

BEYER: I'm very impressed that there are more than two million Americans now over the age of 90 and that's the fastest growing part of our population.

NEAL: Let me recognize the gentleman from Pennsylvania, Mr. Evans, to inquire.

EVANS: Thank you, Mr. Chairman, and thank you for your leadership for having this hearing and I thank all our witnesses. I would also like to applaud my colleague from the great state of Connecticut, John Larson for working hard in putting this legislation together so that people who earn their ***social security*** benefits are able to retire with the safety and ***security*** that they were promised. The district that I'm from in the city of Philadelphia has about from -- thank you, Ms. Altman, for providing this -- 124,000 people, 686 receive ***social security*** benefit, $1.9 million. So directly in this particular district, the third district in the city of Philadelphia, this district which has a poverty rate of about 26 percent, ***social security*** is what I ***will*** call a poverty buster, as it is considered by the nation number one (INAUDIBLE) poverty program. This bill that Mr. Larson is describing is laid out and shown the leadership would expand ***social security*** ability to ***keep*** people out of poverty by establishing a minimum benefit for full career workers. Ms. Altman, in your testimony you stated that over 22 million Americans including over one million children have income above poverty due to ***social security*** alone. Do you see the new special minimal benefit included in this bill as an effective way to ***keep*** even more people from getting in poverty?

ALTMAN: Absolutely. There was a special minimum that's in the law, but it has really eroded in value. This ***will*** say the people who've contributed, worked their entire lives, ***will*** get 125 percent of poverty as a minimum benefit.

EVANS: And in your -- what would that -- talk a little bit to what you think what would that mean from an economic standpoint in the community?

ALTMAN: ***Social security*** really strengthens the economy. We've talked about -- I mean for a small business or any business to survive it has to have consumers. And the people who receive ***social security*** benefits on average have the lowest income of other people in the country, even high income -- when we talk about high income in the income tax realm, we talk about people of $250,000 or more. High income within senior population of people were 60 or 70 thousand dollars. So those are people as soon as they get that money, they're spending it in their communities The ARP has done a study that shows for every dollar that is spent, that is paid out as ***social security*** benefit generates $2 in economic activity. So that's a very high multiplier.

EVANS: From some of the comments you have heard today, it appears -- and I won't put words in anyone's mouth -- but can you please explain why it is so critical that we don't settle for cuts to benefits as a means of being able to ***keep*** the program running?

ALTMAN: Absolutely. And let me be very clear because I'm concerned a bit that some of the conversation in this hearing is given a mixed -- a wrong impression. ***Social security*** is extremely strong. It's 100 percent funded for the next sixteen years. 93 percent funded for the next 25 years. You just were talking about the multi-employer passed important legislation for that. Congress put in a test for multi-employer plans. Green light, yellow light, red light. Whether they're healthy. Under that exact task ***social security*** is in the green zone. So, when Franklin Roosevelt enacted ***social security***, he called it a cornerstone on which to build. Obviously whenever you're projecting out 75 years, sometimes you're going to find unintended surpluses, sometimes unintended deficits. What you're doing here I think is maintaining the program. ***Social security*** is a solution. It's not a problem. and that's why every generation before has increased benefits and paid for it in exactly the way that the 2100 Act does and you're actually, as I said in my statement, are increasing the premiums by much -- really ten times lower than the average increase over the first -- from 1935 to 1990.

EVANS: Only last thing I thought you was going to say is that John Larson is our 21st Century version of Franklin Delano -- I mean Franklin Delano Roosevelt. I thought you was going to add that. But I yield back to the Chair. I yield back. Thank you.

NEAL: We thank the gentleman. With that, let me recognize the gentleman from New York, Mr. Reed, to inquire.

REED: Well, thank you, Mr. Chairman, and I just want to start my commentary today as I sat here and I wanted to listen to all the members and we've had the benefit of the testimony of this panel before in our subcommittee hearing room and we appreciate the witnesses input on this issue. And I'll start my comments by saying to the Chairman, Chairman Larson, we do respect on this side of the aisle, as you can tell from the commentary and the record today, the leadership that you have demonstrated on putting this bill into the hopper. That is what true statesmanship is and John Larson is a statesman and I just want you to know we have the highest regard for you as we go through this process of resolving ***social security***. Resolving ***social security*** is something that is personal to me. This panel has heard my story. I'll reiterate it. The short version of it today. And I have 11 older brothers and sisters, eight sisters, three brothers. And my father passed when I was two. And so there stood my mother who raise the 12 of us all by herself as a widow. And the thing that got us through as a family was ***social security***. And so, it's personal to me as well as many members, as well as millions of Americans across the country to fix this problem for the generations to come. And we have developed our principles. And you know our principles. That we are going to try to solve this problem by relying on long term economic growth and reward work not penalize it. And we talk about economic growth that to us as Republicans a key of the revenue component of this equation. And not only is it growing the economy and getting workers into the American economy. As my colleague from Wisconsin indicated, immigration reform is a huge opportunity for us to take care of ***social security*** because that ***will*** bring in hundreds of thousands of new workers into our system that get to that equation of having more workers in the system to take care of the retirees and the beneficiaries of the program. We are also committed to equal treatment for public servants. That is the windfall elimination provision and I know the Chairman Neal and Chairman -- or Ranking Member -- Chairman Brady to me always are committed to fixing that problem as well as many of our colleagues are. We want to act now to protect future generations benefits. Because we recognize waiting takes tools out of the toolbox to fix this that make it more draconian, more difficult to do. And we want to protect the ***most*** vulnerable people through focus reforms, those widows and others that need the system more than others based on their way of life. That acronym is LEAP. That is, we are going to leap together when we ultimately solve this problem. Republicans and democrats and truly hopefully the Reed Larson bill that ***will*** go to the President's desk for signature. But at this point in time, the real issue is we need to fight what is one of the biggest obstacles we have, and the biggest obstacle -- and my colleague Mr. Larson, I do this with the utmost respect because I've seen the Starbuck cup of coffee prop and I'm introducing a new prop today that ultimately we're going to bridge the difference with. And that is our coffee cup mantra. You know, my colleague on the other side, Mr. Larson and who I love and has become a friend has a cup of coffee that says this is just a cup of coffee. It's a small 50 cents a week type tax. Well, as we see it, on the Republican side, this is a large tax increase. This is the more size cup of coffee that we got to fight in regards to the tax increases we're looking at with this payroll tax. And so, this prop ***will*** stand before us, not as a symbol of division but as a symbol of a need to come together. And we'll fight these tax increases on our side but at the end of the day, I am confident that we are going to bridge this difference and the message that I want to send to all of America today from this Committee is that through honest disagreement but respect and friendship such as we have developed, John, you and I, we ***will*** lead this Committee as well as Chairman Larson and Chairman Neal, and we ***will*** lead this Congress as one Committee that still has that aura of bipartisanship, that aura of statesmanship that I can't think of a bigger Chairman than Chairman Neal who also articulates that. And with a sensitive issue as ***social security***, this ***will*** be one of those things we as Members of Congress ***will*** be able to look back on and say we stood up in our moment of time to solve a generational problem that needs to be fixed to protect our fellow American citizens. And with that, I yield back.

NEAL: I thank the gentleman. With that, let me recognize the gentleman from Illinois Mr. Schneider in inquire.

SCHNEIDER: Thank you, Mr. Chairman, and like my colleagues I'm grateful that we're having this important discussion today. ***Social security*** has been said is if not one of -- if not the, one of the greatest anti-poverty programs in our nation. And as my colleague from New York pointed out, for all of us I think we have our personal stories. For me it's very personal. My grandparents depended on ***social security***. My grandmother Molly could not have survived without it. She created a big family. She was one of six kids. She had six children. All of us as a family take care of each other. But her children, my aunts and uncles, could not have survived, could not survive today without ***social security***. Her youngest son, my uncle Steven, was diagnosed with Parkinson's at age 37. He's 75 today. ***Social security*** disability has allowed him to provide for his family. My cousins were able to go to college to grow into adults that they are because of the support the ***social security*** provided. My colleague from Texas, Mr. Arrington, noted that the seniors are counting on us. I want to take that a step further. Yes, indeed the seniors are counting on us. The baby boomers are counting on us. But the Gen X'ers are also counting on us and my kids' generation, the Millennials are counting on us. The very idea of working for a lifetime and having the confidence of a future secure and dignified retirement is what we're talking about here and every generation is counting on us to figure that out. But I also want to emphasize that our small businesses are also counting on us. ***Social security*** is a safety net for small business. It provides insurance and retirement benefits so they can operate their business. Many entrepreneurs could not afford the insurance ***social security*** provides in the market. ***Social security*** allows entrepreneurs to take risk, to pursue their dreams, to grow our economy and to create jobs. Let me go back for a second to the generations. This is a watershed year. This year there are now more Millennials than there are baby boomers. Ms. Brozyna, like you, I'm a parent to Millennials. My boys are 24 and 26. Early stages of their careers. I hope and I'm actually confident that my wife and I have done I think a pretty good job teaching them the values that ***will*** carry them forward in life. Top among those is the value of taking responsibility for themselves, for their personal decisions but also for their future. And that includes saving for retirement. So, Ms. Altman, I'll start with you. What percent of workers today have access, if you know this, to a defined benefit or define contribution plan?

ALTMAN: Well, to a defined benefit plan it's fallen to about 13 percent in the private sector. A larger percentage have defined contribution plan, although the amounts in them are pitifully small and ***will*** not support anyone for more than a year or two in retirement.

SCHNEIDER: So, ***social security*** is part of that overall package. Again, this idea of teaching our kids this self-reliance and personal responsibility contributing into their ***social security*** and the part that their employers get that's part of the package the compensation as you said, workers compensation that allows them to have the confidence of the secure retirement. Correct?

ALTMAN: That's right. The 2100 Act is really ***most*** beneficial to Millennials and younger and because they're the ones that are going to rely on ***social security*** the ***most*** and it expands their benefits.

SCHNEIDER: So, as we think about these Millennials now this biggest generational life today, they start retiring in about 30 years and I'll start with Mr. Goss, but anyone can answer this. If we don't do anything, if this Committee falls short of making the decisions to secure ***social security***, what's going to happen to their retirement compared to what their parents, the baby boomers are receiving today?

GOSS: Well, if you look at the level of benefits that their parents are receiving today compared to what their prior earnings were, and look at that sort of ratio, we call it a replacement rate, if you look at what ***will*** happen to the Millennials 30 years from now when they retire if we don't do something and the scheduled benefits are dropped by 20 to 25 percent, they ***will*** have 20 to 25 percent less purchasing power relative to what they were used to in their working years as compared with where their parents are now.

SCHNEIDER: I know others have said that we're putting this burden by the conversation we're having and some of the ideas we're batting around would put a great burden on young Millennials. Inaction it seems to me is going to put a great burden on young Millennials. Is that a fair statement?

GOSS: I think so. I guess a way of characterizing it perhaps is you get what you pay for. And if we do not increase payroll taxes then we ***will*** have to receive you know 25 to 33 percent less benefits in the future than have been scheduled on the law. So, if you want to maintain the scheduled benefits at the levels our American people have gotten used to, we simply are going to have to put more money into the payroll tax structure one way or the other.

SCHNEIDER: I'm out of time but as a prerogative, as a Navy dad, Mr. Castle, I just want to say to you thank you for your service and for you and all who put a uniform on in the service to our nation, we need to make sure we get this taken care of.

NEAL: Thank the gentleman. Votes have been called. So, we would like to wrap up here. So, for the witnesses and for the members if they go to the floor. So, with that, let me recognize the gentleman from New York, Mr. Suozzi, to inquire.

SUOZZI: Thank you, Mr. Chairman, and thank you for holding this hearing and continue to hold hearings on very important topics that we need to discuss. And it's really great leadership on your part and I want to echo what Mr. Reed said that you have exhibited this desire to try and encourage bipartisanship and it's really wonderful that you're doing it and I want to thank my colleague Mr. Larson for his leadership on this issue, laying down a marker and a very tough issue. I want to thank the witnesses for being here, for all this time. We appreciate it very much and thank you, again, Mr. Castle, for your service. I'm glad that you brought that up, Brad. Thank you to all of you. So, let me start with you, Ms. Altman. What's the easy answer to fix -- make ***social security*** better? What's the easy thing with no political risk that ***will*** solve the problems of ***social security***?

ALTMAN: Well, what the overwhelming majority of Americans want is something along the lines of the 2100 Act.

SUOZZI: So, this is an easy fix you think? You think there's no political risk to Mr. Larson's proposal?

ALTMAN: Well, from the debate obviously today there's going to be a debate about it, but I do think the American people overwhelmingly want to see ***social security*** no cuts is every poll across the board.

SUOZZI: Mr. Goss, what do you think is the easy fix here?

GOSS: I hate to say it but if there were truly an easy fix, I think you all would already have enacted it quite some time ago.

SUOZZI: You think the idea of more economic growth is a potential way to solve this problem? You think that's going to -- is there any sign of that happening soon that we're going to have enough economic growth to solve this problem?

GOSS: More economic growth ***will*** certainly be a help but to close the gap that we have facing us, highly unlikely.

SUOZZI: Okay. So, I'm an accountant by training. I became a CPA. I'm an attorney also but you know you either have to raise revenues or you have to decrease expenses. And you can either decrease expenses by cutting benefits or delaying the time that the people can receive their benefits. So, none of those are easy answers. Those are all -- and everyone who's up here, every single member of Congress that's up here, I'm relatively sure had town hall meetings or debates when they were running for office and ***social security*** is brought up. AARP probably sponsored a debate in their district, and we said we're going to work on it. We're going to solve this problem. We're going to look at these different things. I'm not sure but I'm going to work on it. I'm going to try to work with my colleagues. And everybody here said that today. And I want to encourage my colleague Mr. Reed and Mr. Kelly and Mr. Rice and Mr. Schweikert and I wish Jodie Arrington was here as well. They're all very bright, passionate people that care about this issue to work on this issue with us. This is what we're supposed to do. Regular order. We're having a hearing. We're bringing this issue up. We've got a long time before a mark up on a bill ***will*** happen. Let's not say oh we're crushing it through later on. Let's take advantage of this time and let's work together and let's actually come up with a solution to ***social security***. But you know what? It's not going to happen unless we work on it together because no matter what people are going to have to take a political hit. You're either going to get hit because you want to try and increase the expense or you're going to get a hit because you want to decrease expenses because those are really the only two real viable things. And we can consider some other things that Mr. Reed has talked about. What we can do to encourage economic growth, what we can do to eliminate windfalls for people, what we can do to solve the immigration problem, but the reality is we either got to increase the revenues or decrease expenses. And that's hard to do. But we're all committed. We all love America. We all love senior citizens. We've all been on the campaign trail and said ***social security*** is one of the ***most*** important benefits in the entire United States of America and we need to fix it. And Mr. Kelly said it more passionately than anybody. He's one of the best speakers here. He always says it very passionately. So, we've all done that. And we've all talked about how complex it is. Mr. Schweikert always talks about how complex it is, the numbers and the demographics. And he's right. He's not wrong. He's right. Let's do it. It's going to be quite some time before the actual markup comes. Certainly not going to happen for the next 30 days. Maybe it ***will*** be 60 days, who knows. I don't know what the -- when the actual markup ***will*** be but let's take advantage of this time and not run into what happens every single time on every single issue and people say oh, we don't have enough time. This was forced upon us. Let's sit down and work -- Mr. Larson, would you be ***willing*** to meet with your colleagues to discuss solutions to this problem?

LARSEN: All the time.

SUOZZI: Open door policy. This is the easiest guy to talk to in the entire United States Congress is John Larson. You know how much time and effort he has put into getting us to this point here today? He's put years on effort building support, looking at the numbers, trying to make up a plan that ***will*** find the softest edges on a difficult problem and building a constituency of people throughout this country to support this idea. It's hard work. It's difficult to do. We have the time right now to do it before there's a markup to try and give written ideas, as Mr. Larson has suggested, he said he wants written plans. Give me some ideas as to what you want to suggest that's better. Write it down. Share it with him and let's work on it together. I yield back.

NEAL: I thank the gentleman. Let me recognize the gentlelady from California, Ms. Chu, to inquire.

CHU: While I am so thankful that we're having this hearing today. We need to ensure that our ***social security*** system is strong as ever and the American people are counting on us. So that's why I support this bill so strongly. And I was also pleased to hear Chairman Neal say that he is working on a bipartisan solution to something that is a sore spot in California and that is the problem with the windfall elimination program and the government pension offset. Our public employees should not be penalized because they have a separate retirement system but then also paid into ***social security*** but right now, they don't get their full benefits. So, we need to fix this problem. Ms. Altman, I was so thrilled to see that you had an Op-ed in the Wall Street Journal that states that new ***immigrants*** can bolster the ***social security*** system and I'd like to enter this article in the record. Well, and so, let me say that what I found so interesting about your article is that immigration policy could be part of the solution as far as ***social security***.

ALTMAN: Absolutely.

CHU: That if comprehensive immigration reform had passed in 2013, the trust fund solvency would have been extended by two years and the reserves would have increased by $284 billion over ten years. So, can you expand on how contributions by ***immigrants*** can benefit our country's ***social security*** system?

ALTMAN: Absolutely. And I'd like to - - actually leads me into a point -- a larger point and that is the decision has been -- was made to current fund ***social security*** which was the way a lot of other pension plans were done prior to ERISA but it works for the Federal Government. So, what that means is the current workers are paying for current beneficiaries and then when they receive benefits, then who are current workers ***will*** pay. Its' a perfectly -- many advisory counsels looked at it. You could advance fund. You could current fund. It's a very responsible way to fund any kind of pension system. This one's current funded which means that you have to have a large enough workforce. When you have -- we have, as Mr. Goss said, the reason our population is aging is not that we're all living so much longer. It's that we're having fewer children. So, the proportion of older to younger has shifted. Now there's an obvious solution. We could have a handmaid tail and we all -- all the women be forced to have more babies or we could open our borders to people who are going to be responsible and build our economy and so, immigration is really not any different from if all of us were having larger families.

CHU: Well thank you for that. And I'd also like to ask you to address another issue and that is pertaining to the elderly Asian American and Pacific Islander population. I'm Chair of the Congressional Asian Pacific Caucus and I often hear about this model minority that Asian Pacific Islanders are more financially secure than the U.S. population. But in reality, what we found is at the poverty rate for Asian American seniors increased by 40 percent between 2009 and 2014 and 191 percent for Pacific Islanders that Asian Americans are also less likely to receive pensions from their employers and 53 percent rely on ***social security*** for almost all their income. So, Ms. Altman, can you explain how the ***social security*** 2100 Act would bolster economic stability for older Asian Americans?

ALTMAN: Absolutely. It does so in a number of ways. First, it has an across the board benefit increase, but it's across the board but it's weighted towards lower income. So, it benefits all people of color, Pacific Islanders, Asians, Hispanics, African Americans. In addition, it has updates the special minimum, the floor below which you cannot fall. And to 125 percent of poverty because, again, the groups you're talking about disproportionately make up the poor amongst seniors. So, it has that very big benefit. And for those who are fortunate to live very long lives it has the CPIE, a cost of living adjustment and ***most*** importantly I think, and it's a point Mr. Goss has made several times, it makes sure that all our benefits can be paid in full and on time through the 21st Century and beyond.

CHU: Thank you. I yield back.

NEAL: We can get this accomplished because we're going into executive session with the Committee after we come back from the floor and I don't think it's reasonable to ask the witnesses to hang around for maybe up to two hours. So, Mr. Panetta is recognized.

PANETTA: Understood. Thank you, Mr. Chairman. Appreciate that. And obviously thanks to all the witnesses who are here enduring this time. And also, your preparation to be here. And as one veteran to the other, thank you for your service too, Mr. Castle. Look, I agree with my friend Tom Suozzi. Not just because he's my roommate. Because he's Italian but because he's right when it comes down to the fact of you know there are those that govern by leadership and there are those that govern by crisis. And unfortunately, I think what the American public is seeing is a government that is governing by crisis. And I have to say not to -- I mean yes to jump on the wagon but I think what you see here in the 2100 bill is that you've seen John Larson govern by leadership in what he's put forward. And the reason is because we don't want to wait for that crisis in 15, 16 years when it comes to our ***social security***. So, we want to take care of this now and we want to do something about it. And so, obviously commend more Larson. I commend the Chairman and I commend this Committee for actually trying to do something to lead, especially when it comes to this important issue of ***social security***. It's very important for my district on the Central

Coast of California. We have 113,000 people who receive ***social security*** each month. This is especially true for the Latino community in my district who already see a lower than average annual payment and without ***social security*** I think clearly the Latino poverty rate would skyrocket from 18 percent to just over 50 percent. So, Ms. Zapote, thank you for your testimony but can you talk to me about any other retirement options besides ***social security*** that the Latino community relies on?

ZAPOTE: To be honest, ***social security*** is the soul retirement ***security*** that Latino members have in this country. Unfortunately, our community is overrepresented in low income jobs. We're over represented in being over employed, working two or more jobs and still not making enough money and so, it really just goes to show how much we rely on ***social security*** and how much we need to ensure that we ***keep*** this program so strong so that our community can stay above the poverty level.

PANETTA: And can you, if you can, go into detail as much as you can in regards to how the ***social security*** 2100 Act would help the Latino community?

ZAPOTE: Yes. First and foremost, one, by expanding benefits, giving more money to folks that are retirement beneficiaries. That would 100 percent be able to help these communities. Our families live in intergenerational homes. So, a lot of the money that comes in from ***social security*** is also helping to pay kids going to school, backpacks, etc. Unfortunately, because we don't have that generational wealth, because it was pulled in under the rug from us back in 2008, we are having to solely rely on ***social security***. But if we do have the ***social security*** 2100 Act, hopefully we'll be able to continue to grow our wealth within our communities and at the end of the day that is really what we're striving for, not necessarily relying on ***social security*** but wanting to strive more and create that wealth for our communities.

PANETTA: And based on the timing I'm going to end with that. I yield back my time. Thank you.

NEAL: Thank the gentleman. Let me recognize the gentleman from Nevada, Mr. Horsford, to inquire.

HORSFORD: Thank you, Mr. Chairman. I'll be brief. I first want to thank you, Mr. Chairman, for scheduling this hearing and my good friend Chairman Larson, the Chairman of the subcommittee for introducing this critically important legislation. I want to publically thank Chairman Larson for taking the time and effort out of his schedule to come to my district to join me in meeting with hundreds of my constituents at one of my local senior centers in North Las Vegas. Chairman Larson is so committed and passionate to this issue. It's not just about his leadership in bringing this legislation. He literally has traveled this country trying to educate the public on the need to fully secure and protect ***social security*** for current and future generations. So, I just wanted to publicly thank him for his work. In my district, Nevada's 4th District, we have more than 136,000 people who depend on ***social security***. Approximately 100,000 of those are retired aged seniors. Of these retired seniors' 21 percent of married couples and about 44 percent of unmarried persons rely on ***social security*** for 90 percent or more of their income. Living from one ***social security*** check to the next. And although average ***social security*** benefits are modest, for many of my constituents, especially women, disabled workers and people of color they are a lifeline. Without it they simply would not be able to survive. For those Nevadans who depend on ***social security*** as their only source of income, their benefits fall short of $10,000 a year. So, I want to just share a short story of a constituent living on these fixed incomes and hopefully it can help bring life to the people that we are here to advocate for. Mrs. Estrada lives in Las Vegas. She has a total income of $932 a month, receiving $700 a month from ***social security*** her primary source of income. Recently Mrs. Estrada's rent increased to $810, a number she cannot afford. While searching for new rental she has been consistently denied because she cannot show proof of her ability to pay both rent and a ***security*** deposit. She applied for public housing but is currently on the waiting list and has no certainty as to how long she'll have to wait. Average rent in Las Vegas now exceeds $1000. And only 8 percent of rent available in Las Vegas costs less than $700 with ***most*** of that number exceeding $500 in rent. Mrs. Estrada has not found anything cheaper. With your average renter requiring a month's rent and an equal amount in ***security*** deposit to qualify for renting, seniors in Southern Nevada need at least $1000 in the bank to qualify. At $932 a month in ***social security*** benefits and income Mrs. Estrada does not meet that threshold. So, this is the reality. On top of that, our increase expenses for medical, food, phone bills, transportation, utilities. How are individuals supposed to make it? So, Mrs. Zapote, you're here today to talk about the impact of ***social security*** solvency on communities of color, particularly the Latino community. In my district the Latino community makes up 30 percent of the population or roughly 230,000 people, many of whom depend on their ***social security***. Can you talk about how ***social security*** solvency is an issue of racial injustice and what we should be doing to address that in today's policy?

ZAPOTE: Yes. Like I mentioned earlier, with Congressman Panetta, our community unfortunately is over representative -- overrepresented in low income jobs. Unfortunately, these jobs aren't paying enough to be able to cover the utilities and the other things that all Americans have to pay to sustainably live their lives in the United States. Through the ***social security*** 2100 Act being able to have that additional access to more benefits, more additional money also including that minimum benefit wage would be completely, completely and absolutely life changing for some of these folks that are living under poverty even when receiving ***social security*** benefits.

NEAL: Thank the gentleman. Mr. Larson is recognized.

LARSON: Thank you, Mr. Chairman, and thank you for holding this hearing. First and foremost, thank our witnesses. I always find these hearings to be ***most*** instructive. And it's great when our members speak less and get to hear from you more but that doesn't always -- it always doesn't happen that way and thank you so much and I also want to thank my colleagues on the other side of the aisle, especially the subcommittee members who we've worked wit and really the praise belongs to the people in the United States Congress of which there are more than 211 original cosponsors of a bill. That's pretty rare. And more than 222 said that they ***will*** vote for the bill. So that bill in the House of Representatives ***will*** become law. I commend the Chairman and we look forward to the mark up. And we sincerely hope that we do because we have worked -- and I should add, you heard the story, Rich Neal is a product of ***social security***. Tom Reed is a product of ***social security***. Tom Rice is a product of ***social security***. I think you heard today the willingness of everybody to understand that we have to pull together. And let's not forget the guy down on Pennsylvania Avenue. By the way, my fellow colleagues on the other side, he had the temerity in a debate to stand up to sixteen other Republicans and say no it's not an entitlement. It's an earned benefit and I'm not going to cut it. So, when he said he's not going to cut it, as all of our witnesses know, for every year you raise the age it's a 7 percent cut. 90 percent of the benefits of ***social security*** go to people under $50,000 a year. If you can look them in the eye and tell them amiss what's going on in this economy that they have to take a 7 percent cut while we're giving 1 percent of the nation an 83 percent tax cut that's unpaid for, when poll after poll shows that every single citizen says yes we'll pay more so that we're given the certainty and the guarantee that ***social security*** brings us and yes your daughter is well and as you heard today from the actuary, yes they ***will*** pay more but they ***will*** get far more for that dollar. The difference is in 2008 when the economy crashed, and people's 401k's became 101k's ***social security*** never missed a payment. That's because it's the full faith and credit of the American people. And that's why it's going to take all of us pulling together and saying okay we recognize its' pretty simple. Mr. Suozzi laid it out. Either you're going to cut benefits or you're going to have to increase revenues. So, we tried to increase the revenues over time, over a 25-year period so they would ease it. Had they done this back in 1983 we wouldn't even be having this conversation about the nation's number one insurance plan, the number one anti-poverty plan and the number one increasing civil rights issue of our century for both women of color, women in general, black males and also the economic development issue of this century as well. When you look, as Ms. Altman went over, what every single district and there was a packet passed out to everyone today with how much -- how many recipients of ***social security*** and there's roughly about 120,000 in every district. Some more than other. Mr. Buchannan having the ***most*** on the Ways and Means Committee but also it's about a billion dollars for every district that's' coming in. you cannot cut that by 7 or if we do nothing and doing nothing is a plan, end up with 20 to 25 percent cuts in our economy and ***most*** importantly to our citizens. And with that, I thank the witnesses again and I thank the Chairman and I yield back.

NEAL: Thanks Mr. Larson. Ms. Murphy is recognized to inquire.

LARSON: Oh, Mr. -- I wanted to submit for the record also the growing list of groups that are supporting 2100 from ***social security*** works, DFL, CIO, the National Organization of Women, at al.

NEAL: Without objection. Ms. Murphy?

MURPHY: Thank you, Mr. Chairman. And thank you to the witnesses for their testimony. ***Social security*** is the bedrock of our retirement system. It's one of the ***most*** successful government programs of all time helping to ***keep*** millions of seniors out of poverty. And I think it's' important to remember that ***social security*** is not an entitlement. It's a benefit that seniors have paid into and earned after a lifetime of work. There are 4.6 million people in Florida, including 125,000 people in my Orlando area district who rely in whole or in part on their modest ***social security*** benefits in order to meet their needs during retirement. And while these benefits are critical, they haven't ***kept*** pace with the rising cost of living that many retirees face. There's also a looming crisis for ***social security***. The latest trustee's report projects that the programs reserves ***will*** be depleted by 2035. That's just 16 years from now. And if no action is taken before then, benefits would automatically be reduced. Clearly, doing nothing is not an option. And rather than waiting for the looming crisis to become an imminent crisis as Congress often does, Chairman Larson here has worked hard to craft a serious and comprehensive bill that would achieve sustainable solvency for the ***social security*** trust fund. And while I do have some reservations about this bill, I applaud Chairman Larson on his bold leadership. And as we move forward in this process, we must do everything we can to ***keep*** the promise of ***social security***. And that is if you work hard all of your life, you can retire with dignity. And with that goal in mind, I have four principles. First, I think we should strengthen benefits, not cut them for retirees as the cost of living in places like Florida continues to rise and these benefit formulas should more accurately reflect senior's spending habits. Second, I think we should ensure everyone pays their fair share into ***social security*** trust fund without placing additional burdens on already struggling lower- and middle-class families. And third, we must protect the ***social security*** trust fund from being raided by Congress to pay for other programs. And finally, any path forward on ***social security*** must be bipartisan as we've got to stop treating ***social security*** like a political football. Our seniors deserve better and the American people deserve better. Mr. Larson deserves tremendous credit. And with his bill he has entered the proverbial arena. Meanwhile the other side of the aisle is still sitting in the stands offering politically based critiques but no substantive solutions. And if we're going to make progress here, this ***will*** have to change. And I look forward to working with Chairman Larson and the rest of the Committee to find a solution to this impending crisis. Thank you and I yield back.

NEAL: I thank the gentlelady. I would like to thank the witnesses for their testimony. Please be advised that members have two weeks to submit written questions to be answered later in writing. Those questions and your answers ***will*** be made part of the formal hearing record. With that, the Committee stands adjourned. Thank you all.

Classification

Language: ENGLISH

Subject: US REPUBLICAN PARTY (89%); ***SOCIAL SECURITY*** (89%); US DEMOCRATIC PARTY (89%); LEGISLATION (77%)

Industry: PERSONAL FINANCE (61%)

Person: JIMMY GOMEZ (79%); STEVEN HORSFORD (79%); JUDY CHU (79%); SUZAN DELBENE (79%); JASON T SMITH (79%); JIMMY PANETTA (79%); BRENDAN BOYLE (79%); STEPHANIE MURPHY (79%); RON ESTES (79%); TOM RICE (79%); DARIN LAHOOD (79%); RAY LAHOOD (79%); MIKE THOMPSON (79%); DON BEYER (79%); DWIGHT E EVANS (79%); MIKE KELLY (79%); GEORGE HOLDING (79%); JODEY ARRINGTON (77%); DREW FERGUSON (77%); TOM SUOZZI (74%); BRAD SCHNEIDER (72%); JOHN LARSON (71%); DANNY K DAVIS (71%); JOHN LEWIS (71%); LINDA T SANCHEZ (56%); ADRIAN SMITH (56%); BILL PASCRELL JR (56%); BRIAN HIGGINS (56%); DALE E KILDEE (56%); DAVID SCHWEIKERT (56%); DEVIN NUNES (56%); EARL BLUMENAUER (56%); GWEN MOORE (56%); KENNY MARCHANT (56%); KEVIN BRADY (56%); LLOYD DOGGETT (56%); RICHARD E NEAL (56%); RON KIND (56%); TERRI SEWELL (56%); VERN BUCHANAN (56%); DAN KILDEE (50%); BRAD WENSTRUP (50%); JACKIE WALORSKI (50%); TOM REED (50%)

Geographic: TEXAS, USA (90%); NEBRASKA, USA (53%); UNITED STATES (58%)

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