Department to pay Social Security benefits, along with Medicare payments, even if there is a delay in raising the debt ceiling.

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By David Lerman, CQ-Roll Call (via TNS).

It's a time-worn argument for raising the debt limit: Without increased borrowing authority, Social Security checks would stop flowing.

"Addressing the debt limit is about meeting obligations the government has already made, ensuring vital payments to Social Security recipients are uninterrupted and

continuing to support our veterans," Senate Majority Leader Charles E. Schumer, D-

Medicare trust funds to be drawn down to keep those benefits flowing until the debt limit is raised, while prohibiting those funds from being used to pay for any other government programs.

"There is a legal authority and it arguably should be used to make sure benefits are paid," said Steve Robinson, chief economist for the bipartisan Concord Coalition, which advocates for fiscal discipline. Robinson, who wrote a paper this week to highlight the issue, said the debt limit must still be raised to enable the Treasury to pay all its bills.

"But is it legitimate to scare seniors into thinking that their benefits would not go out? This law suggests that argument is not one that should be made," said Robinson, who served as a senior policy adviser in the Social Security Administration from 2018 to 2021.

Summer deadline

The concern over benefits will increase in coming months as Congress faces a summer deadline for raising the debt limit. The Congressional Budget Office has estimated Treasury could exhaust its borrowing authority sometime between July and September, while Treasury Secretary Janet L. Yellen has warned she couldn't guarantee being able to meet all obligations past early June.

Republicans have insisted that a debt limit increase must be paired with spending cuts, exempting Social Security and Medicare from the budget ax. Democrats are pushing for a "clean" debt limit increase, saying any discussion of spending cuts should be considered separately as part of the appropriations process.

But in past debt limit battles, Congress created a precedent for paying Social Security benefits even after exhausting the Treasury's official borrowing authority.

In 1985, the Treasury suspended its investment of payroll taxes and redeemed a

following month. That authority allowed the Treasury to issue about $29 billion in securities to the public, according to another GAO report.

As a result of that action, Congress that year also passed the law to expressly prohibit any Social Security or Medicare trust fund money drawn down pending a debt limit increase from being used to pay for other programs.

But using that law today to keep those benefits flowing without a debt limit increase wouldn't be easy, Robinson said.

Since 1997, under an administrative policy change, the Social Security Administration no longer pays out all benefits at the beginning of each month. Instead, they are paid out based on each beneficiary's date of birth, Robinson wrote.

As a result, Robinson said, even if the Treasury draws down Social Security trust funds to free up cash to make those benefit payments, the staggered benefit payment schedule throughout each month and an inability to prioritize payments mean some of the benefits might not end up getting paid.

Without proficiency at prioritizing some payments over others, Robinson wrote, the 1996 escape clause to draw down Social Security trust funds "could have the unintended effect of temporarily funding other government programs until the Social Security trust funds were exhausted or the debt limit was increased."

Prioritizing payments

Treasury officials have often said the agency lacks the technical capability to prioritize payments that come due in such a way as to ensure that Social Security benefits, debt service or any other obligations would take precedence.

Earlier this year, Yellen told The Wall Street Journal that "Treasury's systems have all

2011 and 2013, Federal Reserve and Treasury officials discussed last-resort scenarios involving payment of interest and principal on federal debt on time, while delaying other payments.

Last month, Congressional Budget Office Director Phillip L. Swagel told reporters that while "challenging" for the Treasury Department to pull off, it would be "technically feasible" to prioritize certain government payments over others in the event the agency ran out of borrowing room.

"In principle it's feasible. Technologically it's challenging," Swagel said. "And then of course one would have to make lots of decisions about, well, which payments to prioritize. And those are both technologically challenging and philosophically difficult."

The possibility of prioritizing Social Security payments in the event of a debt limit breach has come up previously as well. As far back as the Lyndon Johnson administration, then-Treasury Secretary Henry Fowler testified to Congress that such a scheme could be possible, but would be very difficult to pull off.

"I have been assured by my technical staff that, in fact, a technique can be worked out to insure that there is no interruption in the flow of Social Security checks even if Congress failed to raise the debt limit," Fowler told the Senate Finance Committee in February 1967.

But he added: "Just how one would choose among which bills to pay is something I am not prepared to say."
