HONORABLE THOMAS S. FOLEY
Speaker of the House of Representatives
Washington, D.C.

Dear Mr. Speaker:

In compliance with Section 709 of the Social Security Act, on April 2, 1992, the prior Board notified each House of the Congress that the reserves of the Disability Insurance (DI) Trust Fund were expected to be depleted as early as 1995.

After studying the issue, the prior Board recommended to the Congress in December 1992 that the payroll tax rates be reallocated to address the immediate financial needs of the DI trust fund. The Board advised that the exact amount of the reallocation should be determined after release of the 1993 Trustees Report. The Board also recommended that the best possible research program be undertaken to establish more clearly whether the recent rapid growth in the number of DI beneficiaries is a temporary or a longer term trend.

This letter is to inform the Congress that this Board concurs in both the tax rate reallocation and DI research recommendations of the prior Board. Based on the 1993 Trustees Report, which we are issuing today, we recommend a reallocation of 0.275 percent of the tax rate from OASI to DI so that the DI trust fund would meet the Board's short-range test of financial adequacy with a small margin of safety. For 1993 and future years, this would increase the DI tax rate from 0.6 to 0.875 percent and reduce the OASI rate from 5.6 to 5.325 percent. The total OASDI tax rate of 6.2 percent, payable by employees and employers, each, would remain unchanged.

The recommended reallocation would not jeopardize the short-range financing of the OASI trust fund, but would somewhat adversely affect the long-range financial position of that fund.
The Administration will be submitting shortly a legislative proposal to accomplish this reallocation. We urge the Congress to pass the reallocation quickly to forestall possible public concern about the financing of the DI program. In addition, the Department of Health and Human Services has initiated a significant research effort regarding the future growth in the DI program.

A similar letter is being sent to the President of the Senate.

Respectfully,

[Signatures]

LODDY M. BENTSEN, Secretary of the Treasury, and Managing Trustee of the Trust Funds

ROBERT B. REICH, Secretary of Labor, and Trustee

DONNA E. SHALALA, Secretary of Health and Human Services, and Trustee

STANFORD G. ROSS, Trustee

DAVID M. WALKER, Trustee

LOUIS D. ENOFF, Acting Commissioner of Social Security, and Secretary, Board of Trustees