

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE

CONTACT: (202) 225-9263

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Chairman Johnson Announces Hearing on the President's and Other Bipartisan Entitlement Reform Proposals

Hearing is the First in the Committee's Hearing Series on Entitlement Reform

U.S. Congressman Sam Johnson (R-TX), Chairman of the House Committee on Ways and Means Subcommittee on Social Security, today announced the first in a series of hearings on the President's and other bipartisan entitlement reform proposals. This hearing will focus on using the Chained Consumer Price Index to determine the Social Security cost-of-living adjustment. This proposal was included in the President's Fiscal Year 2014 Budget, the report by the National Commission on Fiscal Responsibility and Reform, and the report of the Bipartisan Policy Center's Debt Reduction Task Force.

The hearing will take place on Thursday, April 18, 2013, in B-318 Rayburn House Office Building, beginning at 9:30 a.m.

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the hearing.

BACKGROUND

Social Security beneficiaries receive an increase in their benefits, known as the cost-of-living adjustment (COLA), each year there is inflation. Prior to 1972, Congress enacted increases in Social Security benefits on an ad hoc basis. The Social Security Amendments of 1972 (P.L. 92-603) established an automatic process for determining whether a COLA would be provided beginning in 1975.

The Social Security COLA is based on the percentage change in a measure of inflation known as the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The percentage change is measured by comparing the highest third calendar quarter average CPI-W previously recorded to the average CPI-W for the third calendar quarter of the current year. The COLA becomes effective in December of the current year and is payable in January of the following year. If there is no percentage increase in the CPI-W between the measuring periods, no COLA is payable, as happened in 2009 and

2010. In 1975, the CPI-W was the only inflation measure produced by the Bureau of Labor Statistics (BLS). Since then, other indices have been developed by the BLS.

In December 1996, a Senate-appointed commission to study the CPI, chaired by Michael J. Boskin, Ph.D. (the Boskin Commission) found that both the CPI-W and the later developed Consumer Price Index for All Urban Consumers (CPI-U) overstated inflation in a number of ways. The BLS modified the indices to respond to a number of the Commission's recommendations regarding how these two indices were measured, but did not address their inability to account for the fact that as prices change, consumers will adjust their spending habits across categories of goods (e.g., if the price of beef goes up, consumers might buy pork instead).

In 2002, BLS introduced the Chained Consumer Price Index for All Urban Consumers (C-CPI-U), which accounts for consumer substitution between CPI item categories, as well. According to the 2003 BLS report, *Introducing the Chained Consumer Price Index*, the C-CPI-U is "designed to be a closer approximation to a 'cost of living' index than existing BLS measures." This index cannot be used to determine Federal program adjustments unless Congress passes, and the President signs, legislation permitting the change.

In announcing the hearing, Social Security Subcommittee Chairman Sam Johnson (R-TX) said, **"Americans deserve action to protect and preserve Social Security, and the inclusion of Chained CPI in the President's budget is a welcome acknowledgement that we must take action to shore up the program for future generations. Since 2010, Social Security has been paying more in benefits than it receives in revenue. According to the Congressional Budget Office, the cash flow deficit for the 10-year period ending 2023 is projected to reach \$1.3 trillion. Beginning in 2033, Social Security will be unable to pay full benefits, according to the Social Security Board of Trustees. In other words, when today's 47-year-old workers reach their full retirement age in 2033, they and everyone else already receiving benefits face a 25 percent benefit cut unless Congress does its job and steps in to fix this problem. The President likes to say that if we agree on a policy, then we should act and not let our differences hold us up, and I agree. This hearing will include a full discussion of a policy with bipartisan support – more accurately measuring inflation in order to strengthen the Social Security program."**

FOCUS OF THE HEARING

The hearing will examine proposals by the President and bipartisan groups to more accurately measure inflation.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage,

<http://waysandmeans.house.gov>, select “Hearings.” Select the hearing for which you would like to submit, and click on the link entitled, “Click here to provide a submission for the record.” Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, **by the close of business on Thursday, May 2, 2013**. Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225-1721 or (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and **MUST NOT** exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days’ notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://www.waysandmeans.house.gov/>.