



Methodology for Calculating Social Security's Contribution to Federal Deficits

This memo describes how the Cato Institute calculates Social Security's contribution to the federal deficit, focusing on the Old-Age and Survivors Insurance (OASI) program. The approach has two steps: (1) calculating the contribution to the deficit excluding interest costs, by isolating OASI from combined OASDI figures and stripping out intragovernmental transactions, and (2) calculating the interest cost on the cumulative deficits the program has accumulated since it first began running cash-flow shortfalls in 2010. The accompanying spreadsheet shows the year-by-year calculations for both steps and is a helpful reference alongside this memo.

Step 1: OASI's Contribution to the Deficit, Excluding Interest Costs

Table 1-4 in the Congressional Budget Office's (CBO) [Budget and Economic Outlook: 2026 to 2036](#) shows the combined OASDI program's contribution to deficits over the next 30 years (2026 to 2056).¹ For analyses focused only on the future contribution to deficits—excluding the effects of already accumulated deficits—and that do not require isolating OASI separately, this source alone is sufficient for Step 1, and the reader can move directly to Step 2.

Notably, in the Table 1-4 footnotes, CBO explains that its methodology for calculating the program's contribution to deficits excludes intragovernmental transactions, including payroll taxes paid by the federal government for its employees, trust fund interest, and administrative expenses. This is the methodology we follow throughout.²

¹ Note that CBO provides deficit contributions as period averages rather than as year-by-year figures. That said, year-by-year spending projections are available in the supplementary files accompanying the Outlook. However, CBO did not publish a year-by-year revenue breakdown for Social Security in that report.

² Note that the Social Security Administration (SSA) data does not isolate the federal government's share in payroll taxes, which makes CBO data superior for this exercise.

To calculate Social Security’s contribution to deficits between 2010 (when it first began running deficits) and 2025, we use CBO’s annual [Baseline Projections](#) for [Social Security Trust Funds](#) documents, available for each year since 2007. These reports break out the components of trust fund finances in a form that allows intragovernmental transactions to be identified and removed. Each year’s document provides the actual figures for the prior fiscal year; for our 2010-2032 calculations, we used 2011-2026 editions (the 2026 edition reports actual figures for 2025 along with detailed projections through 2036).

These documents include a line item called “Primary Cash Flow,” reported separately for OASI and DI, which is the trust fund’s revenues minus its outlays excluding interest income. This figure does not strip out intragovernmental transactions, so we remove the intragovernmental items: the federal employer share of payroll taxes, administrative expenses, and Railroad Retirement transfers.

These items are reported on a combined OASDI basis and require disaggregation. To isolate the OASI share of the federal employer-share payroll tax, we apply a 5.2/6.2 ratio in both historical and projection years, reflecting the payroll tax allocation between OASI and DI. For administrative expenses and Railroad Retirement transfers, the OASI shares for historical years are taken directly from SSA’s reported data, where these items are broken out separately for OASI and DI. For projection years, the OASI shares are estimated using SSA’s projections for these items in Table VI.C4 of the [Trustees Report](#).

After these adjustments, OASI’s contribution to the federal deficit, excluding interest costs, is \$276 billion in fiscal year 2026. The table below illustrates the calculation.

(2026, \$ billions)	Amount
OASI primary cash flow	(265)
Less: federal employer-share payroll tax (intragovernmental)	21.4
Plus: intragovernmental admin & RR transfers	10.4
Contribution to deficit excluding interest costs	(276)

Sources: CBO February 2026 Baseline Projections for Social Security Trust Funds; SSA Trustees Reports for historical OASI cost factors.

Step 2: Calculating Interest Costs on Cumulative OASI Debt

When OASI’s revenues fall short of its outlays (i.e., the program runs a cash-flow deficit), the federal government must borrow from the public to cover the gap. Each year’s cash-flow deficit adds to the publicly held debt, and that added debt accrues interest in subsequent years. The interest cost component of OASI’s contribution to the federal deficit in a given year reflects the financing cost of all debt the program has added to the publicly held debt stock since 2010.

Each year, OASI’s contribution to publicly held debt grows by two amounts: the new deficit incurred during that year, and the interest accrued on the OASI-attributable debt at the end of the previous year.

The interest itself is added to the principal, so each year's interest is calculated on a base that includes all prior years' accumulated interest.

Expressed as a formula:

$$D_x = D_{x-1} + CF_x + I_x$$

where:

- D_x = cumulative OASI-attributable debt at the end of year x.
- CF_x = cash-flow deficit in year x
- I_x = interest accrued in year x

The interest accrued in year x equals the debt at the end of year x-1 multiplied by the effective interest rate in year x:

$$I_x = D_{x-1} \times r_x$$

where r_x is CBO's average interest rate on federal debt, **defined as net interest payments in the current fiscal year divided by debt held by the public at the end of the previous fiscal year**. CBO publishes this interest rate series in its [Long-Term Budget Outlook](#).

Cumulative OASI-attributable debt (cash-flow deficits and associated interest costs) from 2010 through 2025 is approximately \$1,526 billion. Applying CBO's effective interest rate to this cumulative debt balance yields an interest cost of \$52 billion in fiscal year 2026. Combined with the \$276 billion contribution to the deficit excluding interest costs, **OASI's total contribution to the federal deficit in 2026 is approximately \$329 billion.**