



CRS Report for Congress

Social Security Administration: Administrative Budget Issues

Kathleen Romig
Analyst in Social Security
Domestic Social Policy Division

Summary

The Social Security Administration (SSA) administers the Social Security program (Old-Age, Survivors and Disability Insurance, or OASDI) and the Supplemental Security Income (SSI) program, and provides administrative support to Medicare and several other federal programs. Total SSA spending in FY2006 was about \$597 billion, 98% of which was mandatory spending on benefit payments.

This report focuses on SSA's spending for administrative expenses, which is discretionary and amounts to 2% of SSA's total spending. This funding is provided in the Labor, Health and Human Services, Education, and Related Agencies appropriations bill. In FY2006, SSA's total administrative expenses were about \$9.2 billion. Almost half of this funding was for administering Social Security (OASDI) benefits, 30% was for administering SSI benefits, 20% was for providing administrative support for Medicare, and another 1% was for SSA's Office of Inspector General (OIG). (The OIG has its own account; all of the other funding is included in the Limitation on Administrative Expenses (LAE) account.) SSA's administrative budget has increased about 23% from FY2002 to FY2007 (or 7% after adjusting for inflation). As of this writing, SSA's FY2008 appropriation has not been finalized.

Over the past several years, SSA's administrative responsibilities have increased, creating pressure on the agency's budget. Two major factors have contributed to SSA's workload: (1) legislative changes related to Medicare and (2) growing benefit rolls, which are expected to increase further as the baby boomers retire. As the SSA workload has increased, so too have backlogs of pending disability claims and hearings. Additionally, the number of SSI redeterminations and Continuing Disability Reviews (CDRs) SSA has completed has declined substantially. These reviews determine whether current Social Security and SSI beneficiaries continue to be eligible for benefits, and save money over the long term.

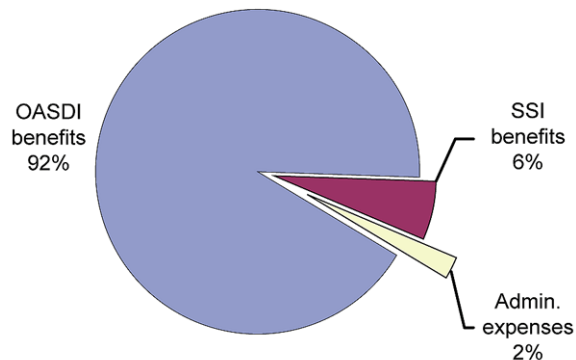
This report will be updated as events warrant.

Background

The Social Security Administration (SSA) administers the Old-Age, Survivors and Disability Insurance (OASDI) program, better known as Social Security. Social Security provides retirement, disability, and survivor benefits to qualifying workers and their families. SSA also administers the Supplemental Security Income (SSI) program. SSI provides benefits for low-income aged, blind, and disabled individuals. Finally, SSA provides administrative support to Medicare and several other federal programs.

Total SSA Spending. Total SSA spending was about \$597 billion in FY2006, or about 23% of overall federal spending.¹ The substantial majority of SSA's spending in FY2006 (\$550 billion, or 92% of the total) was for Social Security (OASDI) benefit payments, as shown in **Figure 1**. Another 6% (\$37 billion) was for SSI benefit payments. Spending on Social Security and SSI benefits is *mandatory*, which means it is authorized by permanent law. Though Congress can change the level of spending for mandatory programs, these programs are not subject to the annual appropriations process. The remaining 2% of SSA's budget (\$9 billion in FY2006) was for administrative costs. Spending on administrative costs is *discretionary*, which means that it is subject to the annual appropriations process and Congress can change it each year.

Figure 1. Total Social Security Administration Spending, FY2006



Source: *President's Budget, FY2008.*

SSA's Administrative Budget. This report focuses solely on the discretionary portion of SSA's budget, which is used to fund administrative expenses and is included in the Labor, Health and Human Services, Education, and Related Agencies appropriations bill.² These discretionary funds allow SSA to administer Social Security

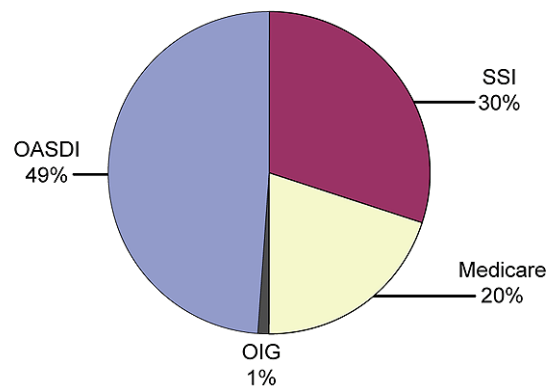
¹ Office of Management and Budget, *Budget of the United States Government: Fiscal Year 2008*, February 2007, at [<http://www.gpoaccess.gov/usbudget/fy08/pdf/budget/ssa.pdf>]. Hereafter referred to as *President's Budget, FY2008*.

² CRS Report RL33576, *Labor, Health and Human Services, and Education: FY2007 Appropriations*, by Paul M. Irwin.

and SSI.³ They also allow SSA to provide administrative support for the Medicare, Medicaid, Railroad Retirement, and Food Stamp programs, and to verify employment eligibility. All of these activities are included in the Limitation on Administrative Expenses (LAE) account in the President's Budget.⁴ In some years, Congress has provided for additional spending on Continuing Disability Reviews (CDRs) above the LAE. SSA's administrative budget also provides resources for the Office of Inspector General (OIG) in a separate account. The OIG investigates and prosecutes waste, fraud, and abuse in SSA's programs.

In FY2006, SSA's administrative expenses totaled \$9.2 billion.⁵ As shown in **Figure 2**, almost half of SSA's administrative expenses in FY2006 (\$4.5 billion) were spent on administering Social Security (OASDI); these expenses are financed from the OASDI trust funds. Another 20% (\$1.8 billion) was spent to provide administrative support for Medicare; these expenses are financed from the Medicare trust funds. Finally, about 30% (\$2.7 billion) was for administering SSI and another 1% (\$91 million) was for the OIG; these expenses are financed from general revenues.

Figure 2. SSA Administrative Expenses, FY2006



Source: SSA, *Justification of Estimates for Appropriations Committees*, Fiscal Year 2008, at [<http://www.ssa.gov/budget/2008cjapp.pdf>]. (Hereafter referred to as *SSA Budget Justification*, FY2008.)

Note: Administrative expenses for OASDI, SSI, and Medicare are funded through the LAE account in the President's Budget. The Office of Inspector General (OIG) is funded through the OIG account.

³ SSA also provides benefits for certain veterans of World War II who reside outside of the U.S.

⁴ The limitation on administrative expenses prevents SSA from having an unlimited administrative budget from the Social Security (OASDI) and Medicare trust funds, which finance administrative costs for OASDI and administrative support for Medicare, respectively. In the congressional budget process, SSA's administrative budget is included in function 650 (Social Security), function 570 (Medicare), and function 600 (Income Security). See CRS Report 97-684, *The Congressional Appropriations Process: An Introduction*, by Sandy Streeter.

⁵ Funding for the LAE account is initially financed from the Social Security and Medicare trust funds. The trust funds are subsequently reimbursed with general revenues for the administrative expenses not related to Social Security or Medicare, including SSI administrative costs.

Requests and Appropriations for SSA Administrative Expenses

Table 1 presents the Social Security Commissioner's request, the President's request, and the final congressional appropriation amount for SSA's LAE account from FY1996 to FY2008. From FY2002 to FY2007, the annual appropriation for LAE has increased about 23%, or 7% after adjusting for inflation.

Table 1. SSA Limitation on Administrative Expenses (LAE) Account, FY1996-FY2008
(\$ in millions)

	Commissioner's Request	President's Budget	Final Appropriation
FY2008	10,420	9,597	N/A
FY2007	10,230	9,496	9,298
FY2006	10,106	9,403	9,109
FY2005	9,310	8,878	8,733
FY2004	8,895	8,530	8,313
FY2003	7,974	7,937	7,885
FY2002	7,982	7,574	7,562
FY2001	7,356	7,134	7,124
FY2000	6,908	6,706	6,572
FY1999	6,640	6,541	6,426
FY1998	6,654	6,522	6,409
FY1997	6,239	6,092	6,407
FY1996	N/A	6,188	5,865

Sources: OMB, *Budget of the United States Government: Appendix*, SSA, *Budget Justification*, FY2002-FY2008, and correspondence with SSA.

Notes: This table does *not* include SSA administrative funding provided outside the LAE appropriation: the OIG account (about 1% of SSA's total administrative expenses); \$500 million in start-up costs for the Medicare Modernization Act in FY2004; supplemental appropriations for Hurricane Katrina and 9/11; and research funding in the Commissioner's Request. As of this writing no LAE appropriation for FY2008 has been passed; the FY2008 budget resolution includes \$10.0 billion; the Senate Appropriations Committee-passed bill includes \$9.7 billion; and the House Appropriations Committee-passed bill includes \$9.7 billion. There was no Commissioner's Request in FY1996 because SSA became an independent agency in March 1995. Finally, the FY2003 figures do not include \$346 million for the Administration's proposed change in accounting for SSA employee retirement and health benefits, which did not become law.

Administrative Workload at SSA

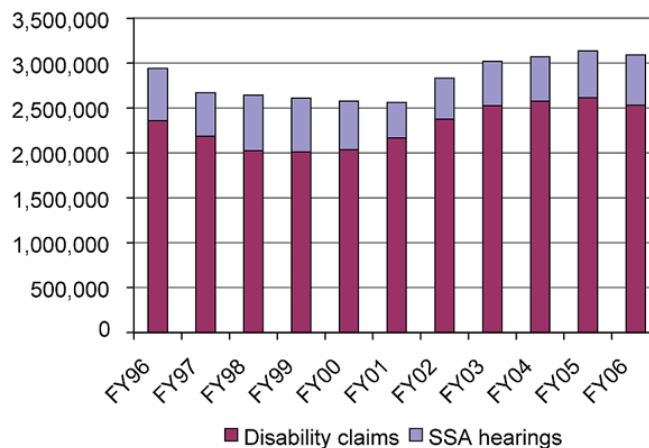
SSA's Administrative Workload. SSA's administrative responsibilities are varied. In FY2006, SSA's workload for the Social Security and SSI programs included the following:

- paying Social Security and SSI benefits to more than 56 million people,
- processing more than 6 million benefit claims,
- issuing 17 million new and replacement Social Security cards, and
- maintaining earnings records and issuing Social Security statements for the more than 160 million covered workers.

SSA also provides substantial administrative support for the Medicare program. SSA enrolls qualifying beneficiaries in Medicare. SSA withholds Parts B and D premiums, and, as of FY2007, calculates income-related Part B premiums for high-income beneficiaries. SSA also identifies low-income beneficiaries who might be eligible for Part D drug benefit subsidies and makes low-income subsidy determinations.

Increasing Workload. Over time, SSA's administrative responsibilities have increased, creating pressure on the agency's budget. Two major factors have contributed to SSA's workload: legislative changes and increasing benefit rolls. The Medicare Modernization Act (MMA, P.L. 108-173) created ongoing administrative responsibilities for SSA, as outlined above; SSA received \$500 million above LAE in FY2004 for MMA start-up costs. The number of retirement beneficiaries has also been growing and is expected to grow further as baby boomers begin to receive Social Security retirement benefits in 2008. Finally, initial disability claims and subsequent hearings are increasing, as shown in **Figure 3**. For example, from FY2002 to FY2006, the number of initial disability claims processed increased 7%, from about 2.4 million to 2.5 million, while the number of hearings processed increased 23%, from about 500,000 to 600,000.

Figure 3. Initial Disability Claims and SSA Hearings Processed, FY1996-FY2006

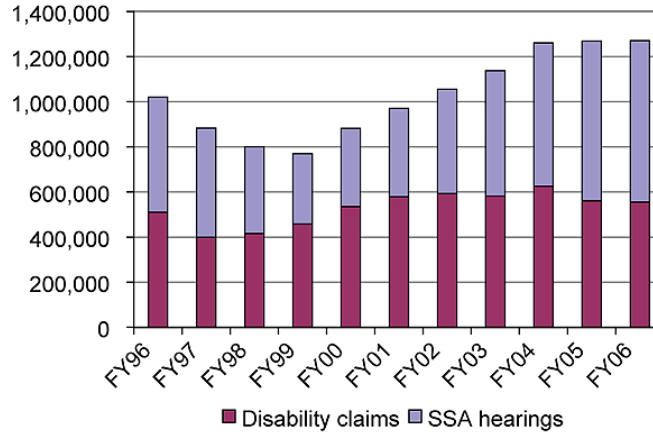


Source: SSA, *Performance and Accountability Reports*, FY1998-FY2006, at [<http://www.ssa.gov/finance>].

Note: Disability claims include both Social Security Disability Insurance (DI) and SSI disability benefits. All initial disability claims are processed by Disability Determination Services (DDS).

Increasing Backlogs. As the SSA workload has increased, so too have the backlogs of pending claims and hearings. SSA's backlogs primarily affect disabled applicants for Social Security and SSI benefits. For example, in FY2002 about 600,000 initial disability claims and 500,000 SSA hearings were pending, for a total backlog of about 1.1 million cases, as shown in **Figure 4**. By FY2006, SSA's backlog had increased by 18%, to about 600,000 initial disability claims and 700,000 SSA hearings, for a total backlog of about 1.3 million cases. SSA's ability to hire new administrative law judges (ALJs) to clear the backlogs has been limited as a result of litigation and the Office of Personnel Management's ongoing efforts to create a new list of eligible candidates.

Figure 4. Initial Disability Claims and SSA Hearings Pending, FY1996-FY2006

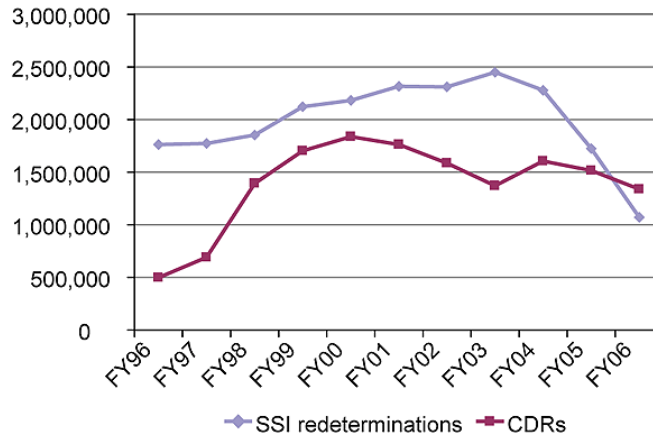


Source: SSA, *Performance and Accountability Report*, FY2006.

Note: All initial disability claims are processed by DDS.

Decreasing Program Integrity Activities. SSA has been completing fewer SSI non-disability redeterminations and fewer Continuing Disability Reviews (CDRs). These reviews determine whether current SSI beneficiaries and Social Security disability beneficiaries continue to be eligible for benefits, thus maintaining the integrity of the programs and saving money over the long term. SSA estimates that for each dollar spent on an SSI redetermination \$7 is saved, and for each dollar spent on a CDR \$10 is saved.⁶ From FY2002 to FY2006, the number of SSI redeterminations decreased by more than half, from about 2.3 million to about 1.1 million, as shown in **Figure 5**. At the same time, the number of CDRs decreased 19%, from about 1.6 million to about 1.3 million.

Figure 5. SSI Redeterminations and Continuing Disability Reviews Completed, FY1996-FY2006



Source: SSA *Performance and Accountability Report*, FY2006.

crsphpgw

⁶ SSA *Budget Justification*, FY2008.