



# Social Security Administration: Administrative Budget Issues

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## 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 FY2008 was about \$658 billion, about 99% of which was mandatory spending on benefit payments.

This report focuses on SSA's administrative spending, which is discretionary and amounts to about 1% of SSA's total spending. This funding is provided in the Labor, Health and Human Services, Education, and Related Agencies appropriations bill. In FY2008, SSA's total administrative expenses were about \$9.7 billion. About half of this funding was for administering Social Security (OASDI) benefits, 30% was for administering SSI benefits, 18% 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.)

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 includes information on the 2009 stimulus package (The American Recovery and Reinvestment Act of 2009, P.L. 111-5) and FY2009 omnibus appropriation (P.L. 111-8). For a more detailed treatment of SSA's administrative budget and responsibilities, as well as other issues, please see CRS Report R40207, *Social Security Administration: Workloads, Resources, and Service Delivery*, by Kathleen Romig.

## Contents

Background .....	1
Total SSA Spending .....	1
SSA's Administrative Budget .....	1
Requests and Appropriations for SSA Administrative Expenses .....	3
Funding for SSA in 2009 Stimulus Package.....	4
Administrative Workload at SSA.....	4
SSA's Administrative Workload .....	4
Increasing Workload .....	4
Increasing Backlogs .....	6
Decreasing Program Integrity Activities .....	6

## Figures

Figure 1. Total Social Security Administration Outlays, FY2008 .....	1
Figure 2. SSA Budget Authority for Administrative Expenses, FY2008 .....	2
Figure 3. Social Security Benefits Claims Processed, FY1996-FY2008 .....	5
Figure 4. Pending SSA Hearings, FY1996-FY2008 .....	5
Figure 5. SSI Redeterminations and Continuing Disability Reviews Completed, FY1996- FY2008.....	6

## Tables

Table 1. SSA Limitation on Administrative Expenses (LAE) Account, FY1996-FY2010 .....	3
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## Contacts

Author Contact Information .....	7
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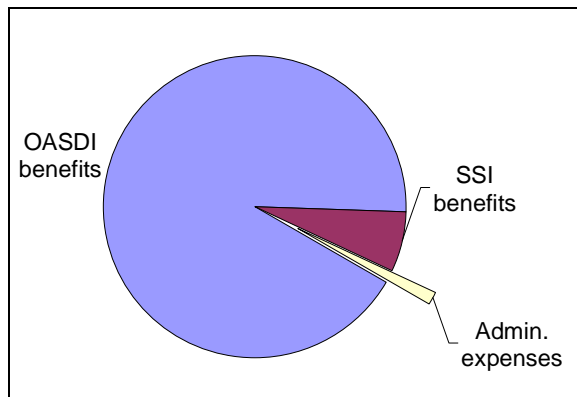
## Background

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 \$658 billion in FY2008, or about 22% of overall federal spending.<sup>1</sup> The substantial majority of SSA's spending in FY2008 (\$607 billion, or 92% of the total) was for Social Security (OASDI) benefit payments, as shown in **Figure 1**. Another 6% (\$41 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 1% of SSA's budget (\$9.7 billion in FY2008) 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 Outlays, FY2008**



**Source:** SSA, *Justification of Estimates for Appropriations Committees*, Fiscal Year 2010, at <http://www.ssa.gov/budget/FY10%20Consolidated%20CJ%20and%20APP.pdf>. (Hereafter referred to as *SSA Budget Justification*, FY2010.)

## SSA's Administrative Budget

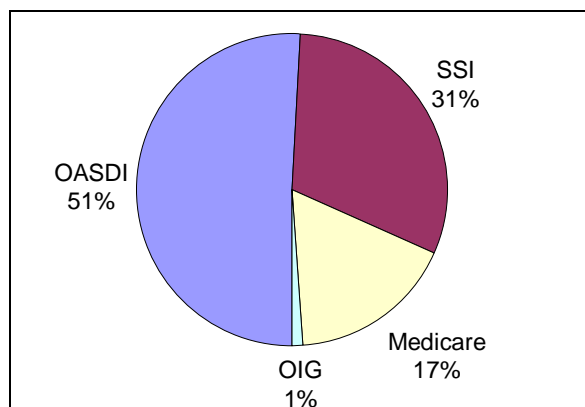
This report focuses solely on the discretionary portion of SSA's budget, which is used to fund administrative expenses and is included in the Labor, Health and Human Services, Education, and

<sup>1</sup> Office of Management and Budget, *Budget of the United States Government: Fiscal Year 2010*, May 2009, at <http://www.whitehouse.gov/omb/budget/>. Hereafter referred to as *President's Budget*, FY2010.

Related Agencies appropriations bill.<sup>2</sup> These discretionary funds allow SSA to administer Social Security and SSI.<sup>3</sup> They also allow SSA to provide administrative support for Medicare, Medicaid, Railroad Retirement, and Supplemental Nutrition Assistance (SNAP, formerly known as Food Stamps), and to verify employment eligibility. All of these activities are included in the Limitation on Administrative Expenses (LAE) account in the President’s Budget.<sup>4</sup> 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 FY2008, SSA’s administrative expenses totaled \$9.7 billion.<sup>5</sup> As shown in **Figure 2**, about half of SSA’s administrative expenses in FY2008 (\$4.9 billion) were spent on administering Social Security (OASDI), which was financed from the OASDI trust funds. About 31% (\$3.0 billion) was for administering SSI, which was financed with general revenues. Another 17% (\$1.7 billion) was spent to provide administrative support for Medicare, which was financed from the Hospital Insurance and Supplementary Medical Insurance trust funds. Finally, 1% (\$92 million) was for the OIG, which was financed from general revenues through a separate account.

**Figure 2. SSA Budget Authority for Administrative Expenses, FY2008**



**Source:** SSA Budget Justification, FY2010.

**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.

<sup>2</sup> CRS Report RL34577, *Labor, Health and Human Services, and Education: FY2009 Appropriations*, coordinated by Pamela W. Smith.

<sup>3</sup> SSA also provides benefits for certain veterans of World War II who reside outside of the United States.

<sup>4</sup> 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.

<sup>5</sup> 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 appropriation amount for SSA's LAE account from FY1996 to FY2010, where applicable. As of this writing, Congress has not passed an appropriation for FY2010.

**Table 1. SSA Limitation on Administrative Expenses (LAE) Account, FY1996-FY2010**  
(\$ in millions)

	Commissioner's Request	President's Budget	Final Appropriation
FY2010	11,793	11,451	N/A
FY2009	10,395	10,327	10,454 <sup>a</sup>
FY2008	10,420	9,597	9,745 <sup>b</sup>
FY2007	10,230	9,496	9,296
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 <sup>c</sup>	6,188	5,865

**Sources:** OMB, *Budget of the United States Government: Appendix, SSA, Budget Justification*, FY2002-FY2010.

**Notes:** This table does *not* include SSA administrative funding provided outside the LAE appropriation: research funding, the OIG account (about 1% of SSA's total administrative expenses), \$1,092 million from the 2009 stimulus package, \$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.

- This amount does not include the \$1,092 million in funding from the stimulus package, P.L. 111-5.
- The appropriation for FY2008 includes an across-the-board cut of 1.747%.
- There was no Commissioner's Request in FY1996 because SSA became an independent agency in March 1995.

## **Funding for SSA in 2009 Stimulus Package**

The American Recovery and Reinvestment Act of 2009 (P.L. 111-5) provides over \$1 billion in supplemental appropriations to SSA for administrative expenses and also provides for a one-time \$250 payment to all SSI recipients and adult Social Security beneficiaries.<sup>6</sup>

Of the over \$1 billion appropriated to SSA for administrative functions, \$500 million is to replace the agency's National Computer Center and \$500 million is to be spent by the agency on the processing of Social Security retirement and disability cases, with up to \$40 million of this amount available for health information technology research and activities. In addition, the SSA Inspector General (IG) is appropriated \$2 million to provide audit and oversight over SSA activities funded by the act.

In addition, every SSI recipient and adult Social Security beneficiary will receive a one-time economic recovery payment \$250 under this act. SSA is appropriated \$90 million to assist the Department of the Treasury with the administration of these payments.

## **Administrative Workload at SSA**

### **SSA's Administrative Workload**

SSA's administrative responsibilities are varied. In FY2008, SSA's workload included paying Social Security and SSI benefits to more than 55 million people, issuing 18 million new and replacement Social Security cards, and issuing 149 million Social Security statements. SSA also provides substantial administrative support for the Medicare program. SSA enrolls Medicare beneficiaries, withholds Parts B and D premiums, and calculates income-related Part B premiums. SSA also identifies low-income beneficiaries who might be eligible for Part D drug benefit subsidies and makes low-income subsidy determinations.

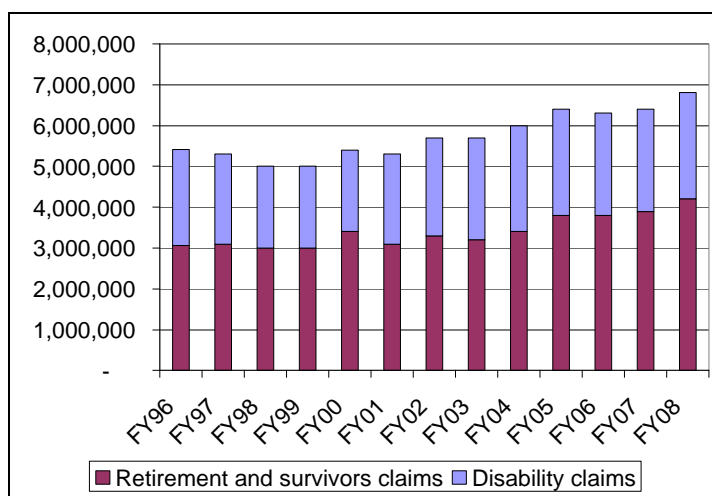
### **Increasing Workload**

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 additional funding in FY2004 for MMA start-up costs.

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<sup>6</sup> For more details, see CRS Report R40188, *Social Security Provisions in the American Recovery and Reinvestment Act of 2009*, by Scott Szymendera.

**Figure 3. Social Security Benefits Claims Processed, FY1996-FY2008**

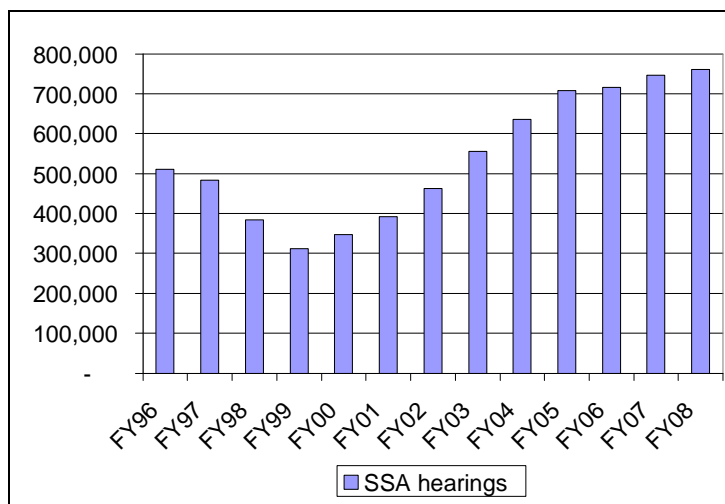


**Source:** SSA, *Performance and Accountability Reports, FY1998-FY2008*, at <http://www.ssa.gov/finance>.

**Note:** Disability claims include only Social Security Disability Insurance (DI) benefits, not SSI benefits. All initial disability claims are processed by state Disability Determination Services (DDS).

As shown in **Figure 3**, the number of initial Social Security benefit claims processed is also rising, from 6.0 million in FY2004 to 6.8 million in FY2008, a change of 13% in five years. The number of retirement claims is expected to grow further as baby boomers become eligible for benefits in 2008. Disability claims are also expected to increase. Finally, during recessions, the number of applicants for Social Security and SSI benefits typically increases.<sup>7</sup>

**Figure 4. Pending SSA Hearings, FY1996-FY2008**



**Source:** SSA, *Performance and Accountability Reports, FY1998-FY2008*.

<sup>7</sup> “Challenges Facing the Social Security Administration: Present and Future—Report to the President-Elect Transition Team,” letter from Social Security Advisory Board to Susan M. Daniels and James Roosevelt, Transition Team for the President-Elect, December 16, 2008, <http://www.ssab.gov/>.



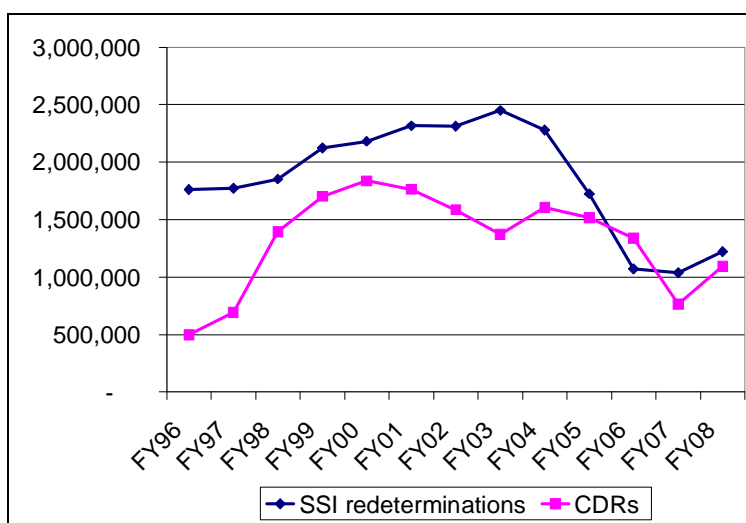
## Increasing Backlogs

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, the number of hearings pending grew about 20% over the past five years, from about 636,000 in FY2004 to about 761,000 in FY2008, as shown in **Figure 4** above.

## 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.<sup>8</sup> The President's Budget and the congressional budget resolution for FY2010 would each provide SSA with administrative funding above discretionary spending caps in order to complete more SSI redeterminations and CDRs. From FY2004 to FY2008, the number of SSI redeterminations decreased by about half, from about 2.3 million to about 1.2 million, as shown in **Figure 5**. At the same time, the number of CDRs decreased by about a third, from about 1.6 million to about 1.1 million.

**Figure 5. SSI Redeterminations and Continuing Disability Reviews Completed, FY1996-FY2008**



Source: SSA, *Performance and Accountability Reports*, FY1998-FY2008.

<sup>8</sup> SSA *Budget Justification*, FY2010.

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