



# Social Security Administration: Workload and Related Issues

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## Summary

The Social Security Administration (SSA), a U.S. government agency, is in charge of regulating and adhering to policies related to Social Security benefits. The SSA workload covers a wide range of social services, such as disability, retirement, and survivors' benefits. In addition, SSA provides substantial administrative support to Medicare and other programs, and partners with the Department of Homeland Security (DHS) in verifying employment eligibility. SSA also assists with the administration of other programs, including the Supplemental Nutrition Assistance Program (SNAP) program, Railroad Retirement benefits, and Special Benefits for Certain World War II Veterans.

Since becoming an independent agency in 1994, SSA has been wholly responsible for managing its workload. SSA's workload is growing as the population ages, the baby boomers retire, the economic situation worsens, and the agency takes on new and more complex responsibilities. About 70% of SSA's administrative funding is used for personnel costs, yet SSA's staffing level has not been adequate to handle its workload. Additionally, many of the agency's employees are at or nearing retirement age. Over half of the SSA workforce is projected to be eligible to retire by FY2017, including 70% of supervisors.

SSA has struggled in recent years to provide quality service to the public and to manage its substantial and varied administrative responsibilities. This is most evident in the significant backlogs that have emerged in its disability programs and hearings to appeal initial decisions. In FY2009, SSA reported that approximately 380,000 disability claims and approximately 256,822 hearings were considered backlogged. Additionally, SSA has not had sufficient resources to conduct necessary program integrity activities, including continuing disability reviews (CDRs), and social security insurance (SSI) redeterminations. SSA estimates that the return on investment for CDRs is about \$10 in lifetime program savings for every \$1 spent in conducting them and \$8 over 10 years for every \$1 spent for conducting redeterminations. However, in the past, due to short-term administrative expenses, SSA has shifted available funds and staff toward basic service delivery and away from program integrity.

In 2009, Congress passed the American Recovery and Reinvestment Act (ARRA; P.L. 111-5), which provided SSA with more than \$1 billion in funding, enabling the agency to hire more staff, process more hearings and initial disability reviews, make technological advances, and increase its productivity. Congress could facilitate additional changes at SSA through the appropriations and oversight processes. Options for congressional action include changing the amount of SSA's administrative expenses and how they are financed.

This report provides an overview of SSA's workload, resources, service delivery, and related issues. It will be updated annually to reflect current data on SSA's ability to handle its growing workload and deliver service based on its available resources.

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## Introduction

The American people have contact throughout their lives with the Social Security Administration (SSA)—from birth, when they are assigned Social Security numbers, to death, when their eligible family members may be awarded Social Security survivors' benefits. In 2008, an estimated 162.3 million workers paid Social Security payroll taxes on their wages, 50.9 million received Social Security benefits, and 7.5 million received Supplemental Security Income (SSI) benefits.<sup>1</sup>

The agency has struggled to provide quality service to the public. Backlogs in the disability programs have caused widespread concern. SSA's efforts to ensure the accuracy of benefit payments have declined. Many applicants and beneficiaries have experienced long waits at field offices and on the phone.

SSA's workload is growing as the population ages, the baby boomers retire, and the agency takes on new and more complex responsibilities. According to the Social Security Advisory Board (SSAB), "Challenges such as shifting demographics, growing workloads, changing customer expectations combined with an aging workforce, deteriorating systems infrastructure, and chronic under funding have pushed SSA's ability to deliver high quality service to the brink."<sup>2</sup>

This report provides an overview of SSA's workload, resources, and service delivery since becoming an independent agency. This background is important to the major issues Congress will be considering, including solvency, backlogs, and the impact of changes in immigration laws.

## Workload

SSA has substantial and varied administrative responsibilities. SSA's primary workload is administering the Social Security (Old-Age, Survivors, and Disability Insurance, or OASDI) and SSI programs. Social Security provides retirement, disability, and survivors benefits to qualifying workers and their families. SSI provides benefits to low-income aged, blind, and disabled individuals. In addition to administering its own programs, SSA provides administrative support to the Medicare program, and partners with the Department of Homeland Security (DHS) in verifying employment eligibility for new hires. Finally, SSA assists with the administration of other programs, including the Supplemental Nutrition Assistance Program (SNAP) program, Railroad Retirement benefits, Special Benefits for Certain World War II Veterans.

## Administering Social Security and SSI

SSA's work on administering Social Security and SSI includes determining eligibility for benefits, calculating benefit amounts, and coordinating the collection of payroll taxes and payment of benefits with the Department of Treasury. SSA maintains earnings records for all covered workers and compiles annual Social Security Statements for workers aged 25 and older.

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<sup>1</sup> Social Security Administration, *Annual Statistical Supplement, 2009*, Tables 4.B1, 5.A1, and 7.A, Washington, DC, 2009, pp. 4.13, 5.1, 7.1, <http://www.socialsecurity.gov/policy/docs/statcomps/supplement/>.

<sup>2</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/>. (Hereinafter, SSAB letter, December 16, 2008.)

To ensure that benefits are paid in the correct amount and only to eligible individuals, SSA conducts program integrity activities such as continuing disability reviews (CDRs) and SSI redeterminations. SSA also maintains beneficiary records, identifies and remedies the overpayment and underpayment of benefits, and monitors representative payees for individuals who are unable to handle their own finances. In addition, SSA staff issue new and replacement Social Security cards, a process that has become more complex amidst concerns about identity theft, terrorism, and illegal immigration. SSA staff answer questions at the agency’s field offices and 800 number. The agency also provides information to the public through its website, pamphlets, advertisements, public events, and other means. Finally, SSA conducts research and analysis on its programs, beneficiaries, and potential policy changes. **Table 1** shows the volume of SSA’s workload in a selection of these activities for FY2009.

**Table 1. Selected SSA Workloads, FY2009**

Retirement and survivors claims processed	4,742,218
Initial disability claims processed	2,812,918
SSA hearings processed	660,842
Continuing disability reviews (CDRs) completed	1,101,983
SSI redeterminations completed	1,730,575
800 number calls handled	82,000,000
Social Security numbers issued	18,000,000
Annual earnings items processed	262,000,000
Social Security Statements issued	151,000,000
OASDI & SSI overpayments (\$ in millions)	6,689
OASDI & SSI underpayments (\$ in millions)	1,284
Number of people who visited field offices	45,000,000

**Source:** Social Security Administration, Performance and Accountability Report: Fiscal Year 2009, available at <http://www.ssa.gov/finance/>.

**Notes:** OASDI and SSI overpayment and underpayment information provided by the Social Security Administration, June 30, 2010. FY2008 is most recently available data.

The number of people applying for Social Security and SSI benefits has increased substantially because of population growth, the aging of the population, and the current economic downturn. The first baby boomers became eligible for early retirement benefits in 2008 and are nearing the ages at which they are most likely to apply for disability benefits. About 80 million baby boomers will file for retirement during the next 20 years, an average of 10,000 per day.<sup>3</sup> As the full retirement age for Social Security benefits gradually increases, it is expected that a greater proportion of people will apply for disability benefits because more older workers will be eligible for SSDI.<sup>4</sup> During recessions, the number of applicants for Social Security and SSI benefits typically increases.<sup>5</sup>

<sup>3</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Management’s Discussion and Analysis*, Washington, DC, 2009, p. 28, <http://www.ssa.gov/finance/2009/Complete%20MD&A.pdf>.

<sup>4</sup> See, for example, Xiaoyan Li and Nicole Maestas, *Does the Rise in the Full Retirement Age Encourage Disability* (continued...)

Much of the work in administering the Social Security and SSI programs occurs when people apply for benefits. This is particularly true for the disability components of each program, because disability claims are much more complex, labor intensive, and expensive to process than retirement and survivors claims. To receive disability benefits under either program, individuals must meet strict medical requirements.<sup>6</sup> Generally, a worker must be unable to do any kind of work that exists in the national economy, taking into account age, education, and work experience. SSA determines whether someone is disabled according to a five-step process. To determine eligibility and benefit amounts for SSI, SSA must examine medical eligibility as well as income, assets, and living arrangements, then monitor these factors over time.

Historically, SSA's decisions on disability benefits have been appealed more often than its decisions on old-age or survivors benefits. For example, more than 99% of hearings to appeal in FY2008 were for disability benefits.<sup>7</sup>

### **Social Security Claims Growing**

The number of people applying for Social Security has been steadily increasing. In FY2009, SSA received a total of 7.5 million Social Security claims, including 4.7 million retirement and survivors (OASI) claims and 2.8 million disability (DI) claims.<sup>8</sup>

**Figure 1** shows the number of applications for Social Security benefits filed from FY2000 to FY2009, broken down by disability benefits and retirement and survivors benefits. Over the period from FY2005 to FY2009, the number of Social Security disability applications grew approximately 6% overall, and the number of retirement and survivors applications grew approximately 25% overall. Over the period from FY2000 to FY2009, the number of Social Security disability applications grew approximately 69% overall, and the number of retirement and survivors applications grew 40% overall.

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(...continued)

*Benefits Applications? Evidence from the Health and Retirement Study*, University of Michigan Retirement Research Center, WP 2008-198, September 2008, <http://www.mrrc.isr.umich.edu/publications/papers/pdf/wp198.pdf>, and SSA, *Trends in the Social Security and Supplemental Security Income Disability Programs*, August 2006, [http://www.ssa.gov/policy/docs/chartbooks/disability\\_trends/index.html](http://www.ssa.gov/policy/docs/chartbooks/disability_trends/index.html).

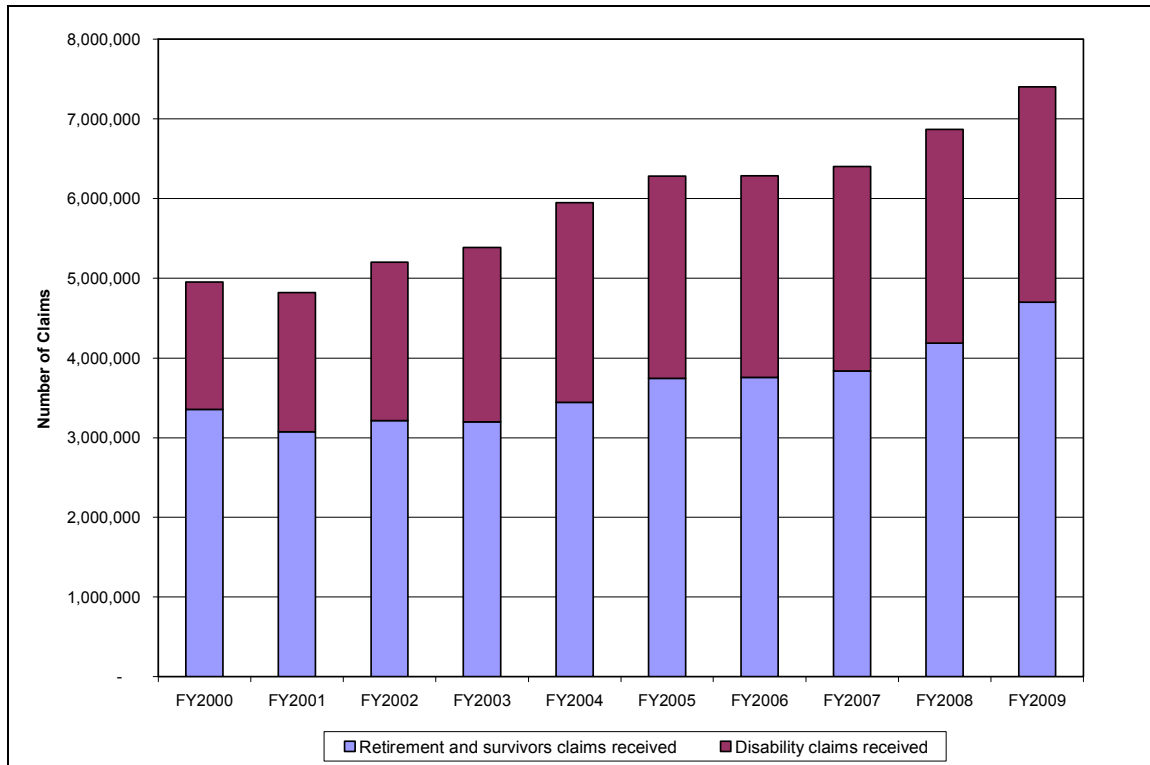
<sup>5</sup> See, for example, SSAB letter, 12/16/08.

<sup>6</sup> For more information, see CRS Report RL32279, *Primer on Disability Benefits: Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI)*, by Umar Moulta-Ali.

<sup>7</sup> Social Security Administration, *Annual Statistical Supplement to the Social Security Bulletin, 2009*, Table 2.F9, Washington, DC, February 2010, p. 2.74 <http://www.ssa.gov/policy/docs/statcomps/supplement/2009/>.

<sup>8</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Management's Discussion and Analysis*, Washington, DC, 2009, p. 9, <http://www.ssa.gov/finance/2009/Complete%20MD&A.pdf>.

**Figure I. Social Security (OASDI) Claims Received, FY2000-FY2009**



**Source:** Social Security Administration (SSA), *Annual Statistical Supplement, 2000-2009 vols.*, Tables 2.F4 and 2.F5, and *Performance and Accountability Report*, pg. 9. These publications are available at <http://www.ssa.gov/policy/docs/statcomps/>

**Notes:** Applications for Social Security retirement benefits increased in FY2000 due to a change in the law that liberalized the retirement earnings test.

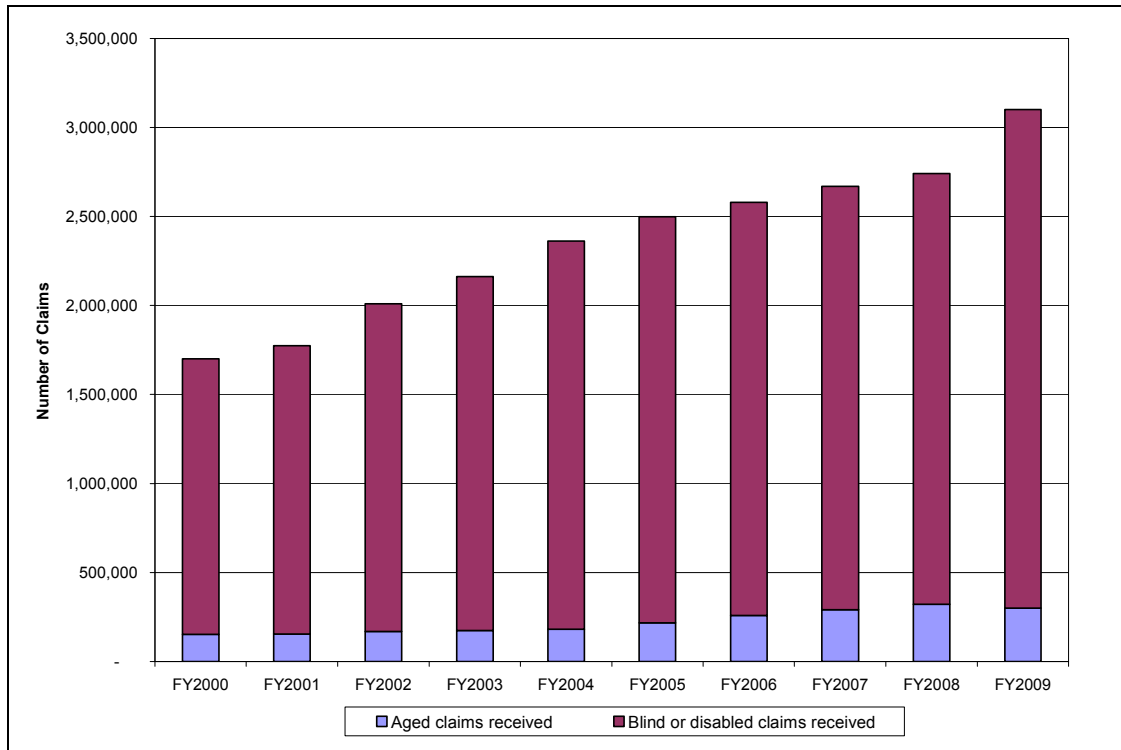
### SSI Claims Growing

The number of people applying for SSI has also been increasing. In FY2009, SSA received a total of 3.1 million SSI claims, including 2.8 million for disability and 0.3 million for aged claims.<sup>9</sup>

**Figure 2** shows the number of applications for SSI benefits filed from FY2000 to FY2009, broken down by disabled or blind benefits and aged benefits (available to qualifying elderly persons with very low incomes and assets). From FY2005 to FY2009, the number of SSI disabled or blind applications grew almost 23% overall, and the number of aged applications grew 38% overall. From FY2000 to FY2009, the number of SSI disabled or blind applications grew 81% overall, and the number of aged applications nearly doubled, growing 95% overall.

<sup>9</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Management's Discussion and Analysis*, Washington, DC, 2009, p. 9, <http://www.ssa.gov/finance/2009/Complete%20MD&A.pdf>.



**Figure 2. SSI Claims Received, FY2000-FY2009**

**Source:** Social Security Administration (SSA), *Annual Statistical Supplement, 2000-2009 vols.*, Tables 2.F6 and 2.F5, and Performance and Accountability Report, pg. 9. These publications are available at <http://www.ssa.gov/policy/docs/statcomps/>.

## SSI for Noncitizens

It is possible for noncitizens to receive SSI. However, a non-citizen generally must fit into one of the immigration categories granted by DHS. Immigrants may be eligible for SSI if they were

- living in the United States on August 22, 1996, and they are blind or disabled;
- receiving SSI on August 22, 1996, and they are lawfully living in the United States; or
- lawfully admitted for permanent residence under the Immigration and Nationality Act (P.L. 82-414), and have a total of 40 credits of work under Social Security in the United States.<sup>10</sup>

Other noncitizens that may be eligible for SSI payments are

- active duty members of the U.S. Armed Forces;
- non-citizen members of federally recognized Indian tribes;

<sup>10</sup> Their spouse's or parent's work also may count. Additionally, if they entered the United States on or after August 22, 1996, they may not be eligible for SSI for the first five years as a lawfully admitted permanent resident even if they have 40 qualifying credits of earnings.

- certain noncitizens admitted as American immigrants; and
- Cuban/Haitian entrants under the Refugee Education Assistance Act.

Currently refugees and noncitizens can get SSI benefits for up to 10 years.<sup>11</sup>

### Enumerations Process

Enumeration is the process by which SSA assigns Social Security numbers (SSN) to individuals who request them and issues original and replacement cards. The purpose of the SSN is to maintain accurate records of earnings covered by the Social Security Act and to pay benefits accurately under various SSA programs. Most of the original cards are issued at birth during the *Enumeration at Birth* process, which is completely electronic and involves no field office visit. Applications are for both original cards not issued at birth, and replacement cards through SSA field offices. The data is transmitted to SSA headquarters in Baltimore, MD, where the numbers are assigned and the cards are issued.

All replacement cards and original cards not issued at birth require the involvement of field offices/card centers. SSA processes approximately 6 million original and 12 million replacement Social Security card applications each year. Table 2 shows the number of original and replacement Social Security cards issued from FY2005 to FY2009.

**Table 2. SSN Cards Issued (FY2005-FY2009)**  
(in millions)

	FY2005	FY2006	FY2007	FY2008	FY2009
Original	5.4	5.7	5.7	5.9	5.6
Replacement	12.0	11.6	11.6	11.7	11.4
Total	17.5	17.2	17.3	17.6	17.0

**Source:** Information provided by the Social Security Administration, June 30, 2010.

The direct average processing (or unit) time for issuing Social Security cards (including original and replacement cards) in field offices and Social Security card centers is 16 minutes. Once the field office or card center receives the application and all evidence is verified, the applicant should receive the card by mail within two weeks. However, applicants are advised that the processing time for applications with documents needing verification could range from several weeks to several months.<sup>12</sup>

<sup>11</sup> Refugees and other immigrants Supplemental Security Income (SSI) benefits were available only during a seven-year time period. Under the SSI Extension for Elderly and Disabled Refugees Act (P.L. 110-328) that went into effect on October 1, 2008, immigrants whose SSI was cut off or who were denied SSI due to the expiration of this time period became eligible for an extension of at least two-years. The new law provides a third year of benefits for immigrants who have a naturalization application pending at the end of the two-year extension. The extensions of SSI eligibility expire in 2011 under a sunset provision in the law.

<sup>12</sup> Information provided by the Social Security Administration, July 7, 2010.

The total per unit cost to process a Social Security card in FY2009 was \$31.<sup>13</sup> Thus in FY2009, SSA spent approximately \$542 million to process original and replacement Social Security cards. As Congress continues to debate immigration reform, SSA expects additional work and complexity in this area. By FY2011, SSA projects the number of enumerations will reach 19 million, an increase of 11% from FY2009.<sup>14</sup>

## **SSNs for Noncitizens**

Beginning in 2002, SSA began the *Enumeration at Entry* (EaE) program that allows noncitizens to obtain SSNs and Social Security cards based on data collected as part of the immigration process. Noncitizens who are 18 or older can apply for SSNs in their home countries before coming to the United States when filing for immigrant visas with the U.S. Department of State. In most cases, noncitizens do not have to visit U.S. Social Security offices when they apply for SSNs with their immigrant visa applications. If noncitizens do not apply for SSNs with their visa applications, they must have papers from the DHS showing their U.S. immigration status and authorization to work in the United States. Also, they must complete applications for Social Security cards and provide at least two original documents proving their identity and immigration status, work eligibility, and age.<sup>15</sup> They must then submit that documentation to a Social Security field office for processing. As of January 20, 2009, SSA had issued a total of 544,673 original and replacement SSNs through the EaE process.<sup>16</sup>

Additional information is required for exchange visitors and international students. Exchange students must also submit a Certificate of Eligibility for Exchange Visitor Status and International students must submit a Certificate of Eligibility for Nonimmigrant Student Status. The Certificate of Eligibility for Exchange Visitor Status and the Certificate of Eligibility for Nonimmigrant Student Status are issued by the applicants program sponsor after the sponsor has entered their information in the Student and Exchange Visitor Information System (SEVIS).

A non-work SSN may also be assigned to an illegal or undocumented alien if an SSN is required as a condition to receive a federally funded benefit, and the individual has already provided documentation that he or she is entitled to the federally funded benefit. Such federally funded benefits are

- OASDI,
- SSI payments,
- Medicare,<sup>17</sup>
- Temporary Assistance and Needy Families (TANF),

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<sup>13</sup> Ibid.

<sup>14</sup> Social Security Administration, *Justification of Estimates for Appropriations Committees: Fiscal Year 2011*, Washington, DC, February 2010, p. 7, <http://ssa.gov/budget/Budget%20Overview%20Final.pdf>.

<sup>15</sup> Acceptable immigration documents include Form I-551 (includes machine-readable immigrant visa with an unexpired passport); Form I-94 (Arrival/Departure Record); or Forms I766 or I688B (employment authorization documents).

<sup>16</sup> Carolyn Puckett, "The Story of the Social Security Number," *Social Security Bulletin*, vol. 69, no. 2 (2009), p. 64, <http://www.socialsecurity.gov/policy/docs/ssb/v69n2/v69n2p55.pdf>.

<sup>17</sup> Benefits when the beneficiary is determined to have end stage renal disease.

- Medicaid, or
- SNAP.

## **Administrative Support for Other Programs**

### **Helping the Centers for Medicare and Medicaid Services to Administer Medicare**

In addition to administering the Social Security and SSI programs, SSA also provides substantial administrative support for the Medicare program. SSA takes applications and determines eligibility for Medicare and provides replacement Medicare cards. SSA also withholds Medicare premiums from Social Security benefit checks and calculates the amount of the income-related Part B premium to be withheld for higher-income beneficiaries.<sup>18</sup> Finally, SSA is responsible for reaching out to low-income beneficiaries who might be eligible for Medicare subsidies and determining whether applicants are eligible for these subsidies.<sup>19</sup> Administrative support for Medicare is financed through the Medicare Hospital Insurance (HI) and Supplementary Medical Insurance (SMI) trust funds.

### **Helping the Department of Homeland Security with Employment Eligibility Verification**

SSA also plays a significant and growing role in determining employment eligibility. E-Verify (formerly known as the Basic Pilot Program and the Employment Eligibility Verification Program) is a voluntary electronic employment eligibility verification program operated by DHS in partnership with SSA.<sup>20</sup> The program allows participating employers to verify the employment eligibility of their new hires through a web-based interface. In FY2009, SSA handled approximately 9.4 million requests.<sup>21</sup> All requests are sent to SSA, which checks whether the worker's information matches its records. Employees must resolve any discrepancies at an SSA field office or with DHS. Many employees may contact SSA because they have changed their names or had a change in their citizenship status and not previously notified SSA of the change. In May 2008, SSA and DHS implemented new procedures to reduce the burden on field office staff.<sup>22</sup>

SSA's E-Verify workload is funded through interagency agreements with DHS, which reimburses SSA for its expenses. The FY2009 reimbursable agreement was for more than \$21 million, including about \$4 million for the operational and ongoing systems costs, and about \$17.8 million

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<sup>18</sup> For more information, see CRS Report RL33364, *The Impact of Medicare Premiums on Social Security Beneficiaries*, by Alison M. Shelton.

<sup>19</sup> 42 U.S.C. § 1144.

<sup>20</sup> For more information, see CRS Report RL33973, *Unauthorized Employment in the United States: Issues, Options, and Legislation*, by Andorra Bruno.

<sup>21</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009*, Washington, DC, 2009, p. 31, <http://ssa.gov/finance/2009/Complete%20MD&A.pdf>.

<sup>22</sup> DHS press release, "USCIS Announces Enhancements to E-Verify Program," May 5, 2008 at <http://www.uscis.gov/files/article/everify050508.pdf>.

for the isolated environment system, which isolates SSA’s E-Verify workloads from mission critical workloads.<sup>23</sup>

The E-Verify program has been growing in recent years. In June 2008, more than 69,000 employers were registered.<sup>24</sup> As of October 2009, more than 157,000 employers were participating in E-Verify.<sup>25</sup> All federal agencies are required to verify the employment eligibility of new hires as of October 2007.<sup>26</sup> On June 6, 2008, President Bush signed an amendment to Executive Order 12989 requiring all federal contractors to participate in E-Verify. On June 12, 2008, agencies responsible for the Federal Acquisition Regulation sent a notice of proposed rule making (NPRM) implementing the executive order to the *Federal Register* soliciting public comments.<sup>27</sup> On November 14, 2008, the *Federal Register* published a final rule requiring federal contractors, with certain limitations, to participate in E-Verify.<sup>28</sup> Beginning September 2009, the use of E-Verify became mandatory for federal contractors.

Some states are also beginning to require employers to verify the employment eligibility of new hires. Arizona currently requires all employers to use the E-Verify system, and Mississippi began to phase in a mandatory program. (July 1, 2008.) Other states, including Idaho, Minnesota, Rhode Island, and Oklahoma require some employers (such as government employers and contractors) to use E-Verify. **Table 3** lists all states that currently require the use of E-Verify.

**Table 3. States Requiring E-Verify**

State	Applies to:
Arizona	All employers, public and private
Colorado	State contractors
Georgia	State agencies, contractors, and subcontractors
Idaho	State agencies, contractors
Minnesota	State agencies, state contractors
Mississippi	All employers, public and private
Missouri	Public employers, contractors, and subcontractors
Nebraska	Public employers, public contractors
North Carolina	State agencies
Oklahoma	Public employers, contractors, and subcontractors

<sup>23</sup> “Statement of David A. Rust, Social Security Deputy Commissioner for Retirement and Disability Policy, House Oversight and Government Reform, Subcommittee on Government Management, Organization and Procurement Hearing on E-Verify,” Social Security Testimony Before Congress, Washington, DC, 2009, [http://www.socialsecurity.gov/legislation/testimony\\_072309.htm#Top](http://www.socialsecurity.gov/legislation/testimony_072309.htm#Top).

<sup>24</sup> Department of Homeland Security, “DHS Designates E-Verify as Employment Eligibility Verification System for All Federal Contractors,” press release, June 9, 2008, at [http://www.dhs.gov/xnews/releases/pr\\_1213039922523.shtm](http://www.dhs.gov/xnews/releases/pr_1213039922523.shtm). (Hereinafter, DHS Press Release, June 9, 2008.)

<sup>25</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Management’s Discussion and Analysis*, Washington, DC, 2009, p. 31, <http://www.socialsecurity.gov/finance/2009/Achieving%20Our%20Mission.pdf>.

<sup>26</sup> DHS Press Release, June 9, 2008.

<sup>27</sup> Department of Defense, “114,” *73 Federal Register* 33374, June 12, 2008.

<sup>28</sup> Department of Defense, “221,” *73 Federal Register* 67651, November 14, 2008.

State	Applies to:
Rhode Island	State agencies, grantees, contractors, and subcontractors
South Carolina	All employers, public and private, phased in by 2010
Utah	Public employers, contractors, and subcontractors

**Source:** National Conference of State Legislatures, available at <http://www.ncsl.org/?tabid=13127#table>.

## Helping to Administer Other Programs

### *Supplemental Nutrition Assistance Program (SNAP)*

SSA assists with the administration of the Food Stamp program (renamed SNAP, by P.L. 110-246).<sup>29</sup> SNAP applications are available at all SSA field offices. SSA staff help people apply for SNAP if an entire household is applying for or receiving SSI benefits, then forwards these applications to SNAP offices for eligibility determination. SSA also screens all SSI applicants and recipients who are subject to a redetermination regarding their interest or involvement in SNAP.

The Department of Agriculture (USDA), Food and Nutrition Service (FNS) reimburses SSA for its SNAP activities. Annual cost estimates are developed using actual SNAP costs from prior years, adjusted for estimated changes in payroll and other built-in costs, as well as projected SSI workloads. Since FY1996, SNAP spending has fluctuated. Between FY1996 and FY2001, the amount the federal government spent on SNAP declined by 27.1% from \$24.3 billion to \$17.7 billion.<sup>30</sup> However, between FY2001 and FY2008, SNAP spending rose to \$37.6 billion, outgrowing its 1996 level. During 2009, spending on SNAP totaled \$53.6 billion in benefits, an increase of 42.5% in one year.<sup>31</sup>

USDA reported that SNAP participation nationwide increased in almost every month between December 2007, when the recession began, and April 2010, the latest month for which information is available. Between FY2008 and FY2009, SNAP participation increased by just over 24% nationwide.<sup>32</sup> Spending on SNAP during the same time period increased by nearly 61%, due in part to increases in both participation and benefit rates.<sup>33</sup> The USDA's FY2010

<sup>29</sup> CRS Report RL33829, *Domestic Food Assistance and the 2008 Farm Bill*, by Joe Richardson.

<sup>30</sup> Federal policy changes may have contributed to the changes in SNAP spending between 1996 and 2001. For example, the total number of people receiving SNAP fell after passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 when participation in the program was "de-linked" from participation in Temporary Assistance for Needy Families (TANF). Since 2000, however, states have implemented policies to ensure that those eligible for SNAP continue to receive benefits when they leave TANF.

<sup>31</sup> United States Department of Agriculture, Food and Nutrition Service, *National Level Annual Summary: Supplemental Nutrition Assistance Program Participation and Costs, 1969-2009*, Washington, DC, June 30, 2010, <http://www.fns.usda.gov/pd/snapmain.htm>.

<sup>32</sup> United States Department of Agriculture, Food and Nutrition Service, *Supplemental Nutrition Assistance Program, Monthly Data-National Level: FY 2007 through April 2010*, Washington, DC, June 30, 2010, <http://www.fns.usda.gov/pd/snapmain.htm>.

<sup>33</sup> From June 2008 to June 2009, the average SNAP monthly benefit per person increased 32%. Specifically, the average monthly benefit increased from about \$101 in December 2007 to about \$133 in September 2009, with large increases enabled by changes in the 2008 farm bill and in the Recovery Act. The 2008 farm bill instituted several changes to SNAP, including an increase in the minimum benefit and standard deduction, elimination of retirement and education accounts counting as financial resources, eliminating certain combat pay as income when determining eligibility, and deduction of the full cost associated with child care. The Recovery Act temporarily increased SNAP's (continued...)

appropriation includes approximately \$58.3 billion for SNAP, a 16% increase compared with FY2009 spending.<sup>34</sup>

### ***Railroad Retirement Benefits***

SSA and the Railroad Retirement Board (RRB) have coordinated the administration of railroad retirement and disability benefits for railroad workers since 1940.<sup>35</sup> RRB, an independent federal agency, administers retirement, survivor, disability, unemployment, and sickness insurance for railroad workers and their families. SSA and RRB share wage and benefit records for individuals who have worked in both RRB- and Social Security-covered jobs. They determine whether these individuals and their families should receive RRB or Social Security benefits. They also manage the financial interchange between the two programs. The financial interchange puts the Social Security trust funds in the same position in which they would have been if railroad service had been covered by Social Security, and accounts for the costs of benefit payments as well as administrative expenses.

### ***Special Benefits for Certain World War II Veterans***

The Special Benefits for Certain World War II Veterans program funds monthly benefits for certain veterans of World War II who reside outside of the United States.<sup>36</sup> These include veterans who served in the active U.S. military from September 16, 1940, through July 24, 1947. It also includes Filipino veterans who served in the organized military of the Philippines from July 26, 1941, through December 30, 1946.<sup>37</sup> The special veterans benefits are payable for months in which qualified veterans live outside the United States. Both benefits and administrative costs for this program are paid out of general revenues.

Veterans must meet the following requirements for special veterans benefits:

- be aged 65 or older as of December 14, 1999;
- be a World War II veteran as described above;
- be eligible for SSI for December 1999;
- be eligible for SSI for the month you apply for special veterans benefits; and
- have other benefit income that is less than 75% of the current SSI federal benefit rate.<sup>38</sup>

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(...continued)

maximum benefit allotments for participants, eased eligibility requirements for childless adults without jobs, and provided additional funding to state agencies responsible for administering SNAP.

<sup>34</sup> P.L. 111-80.

<sup>35</sup> See CRS Report RS22350, *Railroad Retirement Board: Retirement, Survivor, Disability, Unemployment, and Sickness Benefits*, by Alison M. Shelton.

<sup>36</sup> P.L. 106-169.

<sup>37</sup> While those forces were in the service of the U.S. Armed Forces.

<sup>38</sup> The current SSI federal benefit rate is \$674, effective January 2010. This means that a veteran's total other monthly benefit income must be less than \$505.50 (75% of \$674) in order to receive special veterans benefits. This benefit cannot be paid to dependents or survivors.

According to the SSA, in 2004, there were approximately 9.4 military veterans receiving Social Security benefits. Of these, approximately 3.6 million beneficiaries were World War II veterans<sup>39</sup>.

***The 2009 Economic Stimulus Payments—American Recovery and Reinvestment Act (ARRA; P.L. 111-5)***

In 2009, SSA also administered the one-time payment of \$250 to nearly 53 million individuals who get Social Security and SSI benefits as a part of the economic stimulus package in the American Recovery and Reinvestment Act (ARRA; P.L. 111-5).<sup>40</sup> SSA sent notices to Social Security beneficiaries informing them that they may be eligible for a one-time stimulus payment of \$250 and explaining how they can claim it. SSA received \$90 million to cover the administrative expense involved in identifying, notifying, and issuing these payments to people who were eligible. The stimulus also covered the cost of any queries that SSA received at its field offices or its national 800 number.<sup>41</sup>

SSA started making stimulus payments in May 2009 to anyone who was eligible at the time. However, SSA plans to continue making one-time payments through December 31, 2010, to individuals entering the rolls and meeting eligibility requirements. People who are eligible for the \$250 stimulus check are Social Security recipients, disabled veterans, railroad retirement beneficiaries, and SSI recipients.

In FY2009, SSA spent approximately \$38 million of Recovery Act funding on distribution of the one-time stimulus payment. SSA plans to spend approximately \$4.5 million in FY2010.<sup>42</sup> **Table 4** shows a categorical breakdown of where the money has already been spent and where the money will be spent in the future.

**Table 4. Economic Recovery Payment Funding by Fiscal Year**  
(\$ in millions)

	FY2009 (Actual)	FY2010 (Estimate)	FY2011 (Estimate)
Total obligations	\$37.9	\$4.5	\$0.4
Salaries and benefits of employees <sup>a</sup>	\$16	\$4.5	\$0.4
Printing and postage costs <sup>b</sup>	\$19	\$0	\$0
Systems development costs <sup>c</sup>	\$2.9	\$0	\$0

<sup>39</sup> Anya Olsen, "Military Veterans and Social Security," Social Security Bulletin, vol. 66, no. 2 (2005/2006), <http://www.socialsecurity.gov/policy/docs/ssb/v66n2/v66n2p1.html>.

<sup>40</sup> Social Security Administration, *Social Security's One-Time Economic Recovery Payments Information Page*, February 2010, <http://www.socialsecurity.gov/payment/>.

<sup>41</sup> Social Security Administration, *One-Time Economic Recovery Payment (ERP) Plan-Administrative Expenses*, Washington, DC, 2009, p. 2, [http://www.socialsecurity.gov/recovery/Report\\_Plan/ERPPlan-AdministrativeExpenses.pdf](http://www.socialsecurity.gov/recovery/Report_Plan/ERPPlan-AdministrativeExpenses.pdf).

<sup>42</sup> Ibid.



**Source:** Social Security Administration, *One-Time Economic Recovery Payment (ERP) Plan-Administrative Expenses*, Washington, DC, 2009, p. 1, [http://www.socialsecurity.gov/recovery/Report\\_Plan/ERPPlan-AdministrativeExpenses.pdf](http://www.socialsecurity.gov/recovery/Report_Plan/ERPPlan-AdministrativeExpenses.pdf).

**Notes:** SSA does not plan on spending the remaining \$47.2 million remaining from the \$90 million appropriated. This money was part of the rescission in P.L. 111-226.

- a. Responding to public inquires either over the phone or at a field office, as well as employees developing policy and the systems for issuing the Economic Recovery Payments.
- b. For the Economic Recovery Payment informational notices and leaflets.
- c. To conduct data matching runs with the Railroad Retirement Board and the Department of Veterans Affairs, updating the existing telephone contract for the National 800 Number network and field office phone lines for Recovery Act Messages.

## Resources

The resources SSA has to meet its workload include funding, staff, and infrastructure (such as office space and computer systems). In recent years, SSA's funding for administrative expenses has increased, but has generally fallen short of requests by the Commissioner of Social Security and the President. SSA's FY2008 appropriation was the first time that Congress appropriated at or above the President's budget request in over a decade. SSA's staffing levels, which had been declining over the past few years, have increased due to new hiring initiatives funded by the ARRA. Also, SSA's productivity has increased.<sup>43</sup> Finally, the agency's technological infrastructure has been gradually modernized and the number of field offices that had experienced a slight decline is beginning to increase.

## Funding

### Administrative Funding Has Increased

Appropriations for SSA's administrative expenses have increased over time. In FY2010, the final appropriation for SSA's Limitation on Administrative Expenses (LAE) account, through which administrative expenses for Social Security, SSI, and Medicare are funded, amounted to approximately \$11.4 billion. SSA's administrative budget increased about 26% from FY2006 to FY2010, or 15% after adjusting for inflation. It has increased about 61% from FY2001 to FY2010, or 32% after adjusting for inflation.<sup>44</sup>

### Appropriations Fall Short of Requests

The 1994 legislation establishing SSA as an independent agency (P.L. 103-296) directed the commissioner of Social Security to prepare an annual budget request. By law, the commissioner's request is submitted by the President to Congress without revision. The commissioner submitted the first such request for FY1997. The Administration also submits its own budget request for

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<sup>43</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Performance Section*, Washington, DC, 2009, p. 78, <http://ssa.gov/finance/2009/Complete%20Performance%20Section.pdf>.

<sup>44</sup> Social Security Administration, *Justification of Estimates For Appropriations Committees: Fiscal Year 2011*, Washington, DC, February 2010, p. 89, <http://www.socialsecurity.gov/budget/LAE%20CJ%20Final.pdf>.

SSA's administrative expenses as part of its annual budget. Finally, Congress appropriates SSA's administrative funds each year.

As shown in **Table 5**, SSA's funding for administrative expenses has been less than requested by the commissioner of Social Security and the Administration each year since FY1996 (the first full year in which SSA was an independent agency) with the exception of FY1997, FY2008, and FY2009. SSA's FY2009 final appropriation was greater than the request of both the commissioner of Social Security and the Administration for the first time since SSA became an independent agency. SSA's appropriation was \$127 million above the Administration's request and \$27 million above the commissioner's request.

Much of any increase in SSA's administrative funding must be used to keep up with increases in its fixed expenses. For example, about 70% of SSA's administrative funding is used for personnel costs. SSA has estimated that the agency needs more than \$400 million in additional funding each year to keep up with increases in fixed costs, such as employee salaries and benefits, rent, and security costs.<sup>45</sup> According to the President's FY2011 budget request, these built-in increases represent a 3.5% increase over the FY2010's enacted appropriation for administrative expenses.<sup>46</sup>

**Table 5. SSA Limitation on Administrative Expenses (LAE) Account, FY1996-FY2011**

	Commissioner's Request	President's Budget Request	Final Appropriation
FY2011	13,100	12,379	N/A
FY2010	11,793	11,451	11,447 <sup>a</sup>
FY2009	10,395	10,327	10,454 <sup>b</sup>
FY2008	10,420	9,597	9,745 <sup>c</sup>
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	6,448	6,418
FY1998	6,654	6,521	6,409
FY1997	6,239	6,582	6,407
FY1996	N/A <sup>d</sup>	6,209	5,865

<sup>45</sup> Michael Astrue, commissioner of the Social Security Administration, appropriations testimony, February 28, 2008.

<sup>46</sup> Social Security Administration, *Justification of Estimates For Appropriations Committees: Fiscal Year 2011*, Washington, DC, February 2010, p. 72, <http://www.ssa.gov/budget/LAE%20CJ%20Final.pdf>.

**Source:** Table prepared by the Congressional Research Service (CRS) using information from the Office of Management and Budget (OMB), *Budget of the United States Government: Appendix*, and the Social Security Administration (SSA), *Budget Justification, FY2002-FY2011*.

**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.

For each year in the table, the funding in the Commissioner's request and the President's Budget are from SSA and OMB documents related to the budget for that year. The final appropriation funding is from Congressional documents (or OMB documents from the following year). Differences in the time period for reporting the funding (scoring) may result in differences between the President's budget and the final appropriation funding amounts even with full funding of the SSA.

- a. Per Conference Report for P.L. 111-117.
- b. This amount does not include the \$1,092 million in funding from the stimulus package, P.L. 111-5.
- c. The appropriation for FY2008 includes an across-the-board cut of 1.747%.
- d. There was no Commissioner's Request in FY1996 because SSA became an independent agency in March 1995.

## **SSA and Recovery Act Funding**

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA).<sup>47</sup> SSA was provided with more than \$1 billion in funding under the ARRA. The ARRA addressed three major efforts: \$500 million to replace SSA's National Computer Center (NCC); \$500 million to process disability and retirement workloads, including information technology (IT) acquisitions and research in support of these workloads; and \$90 million to reimburse costs for processing a one-time \$250 economic recovery payment to millions of qualified individuals receiving Social Security and SSI payments.<sup>48</sup>

Additionally, the ARRA amended title XIX (Medicaid) allowing states to provide coverage to individuals who are either receiving or have exhausted unemployment compensation benefits. Also, it established incentive payments to encourage the adoption and use of qualified electronic health records by Medicaid and certain eligible Medicare providers.

## **Staff**

Many SSA staff provide direct service to the public in field offices, over the telephone, and on the Internet. They work in field offices, call centers, Social Security card centers, program service centers, hearing offices, regional offices, and SSA headquarters. SSA also partners with state disability determination services (DDSs).

The staffing levels at SSA are lower than in the past, both overall and among the specialized staff needed for key workloads. Productivity has increased, according to SSA's measures, which

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<sup>47</sup> CRS Report R40188, *Social Security Provisions in the American Recovery and Reinvestment Act of 2009: Supplemental Appropriations, Economic Recovery Payments, and Tax Credits for Certain Government Retirees*, by Scott Szymendera.

<sup>48</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Management's Discussion and Analysis*, Washington, DC, 2009, pp. 14-15, <http://www.ssa.gov/finance/2009/Complete%20MD&A.pdf>.

partially mitigates the reduction in staff. The Government Accountability Office (GAO) has reported that “SSA field offices largely met work demands despite operating with fewer staff and an increased demand for services, but the lower staffing levels may have contributed to adverse effects.”<sup>49</sup> However, SSA’s policy of offering early-out retirement has exacerbated its staff retention problems. In the past three years, more than a quarter of retirees have taken early retirement.<sup>50</sup> Going forward, SSA faces personnel challenges as much of its workforce becomes eligible to retire.

### **Total SSA Staff Declining**

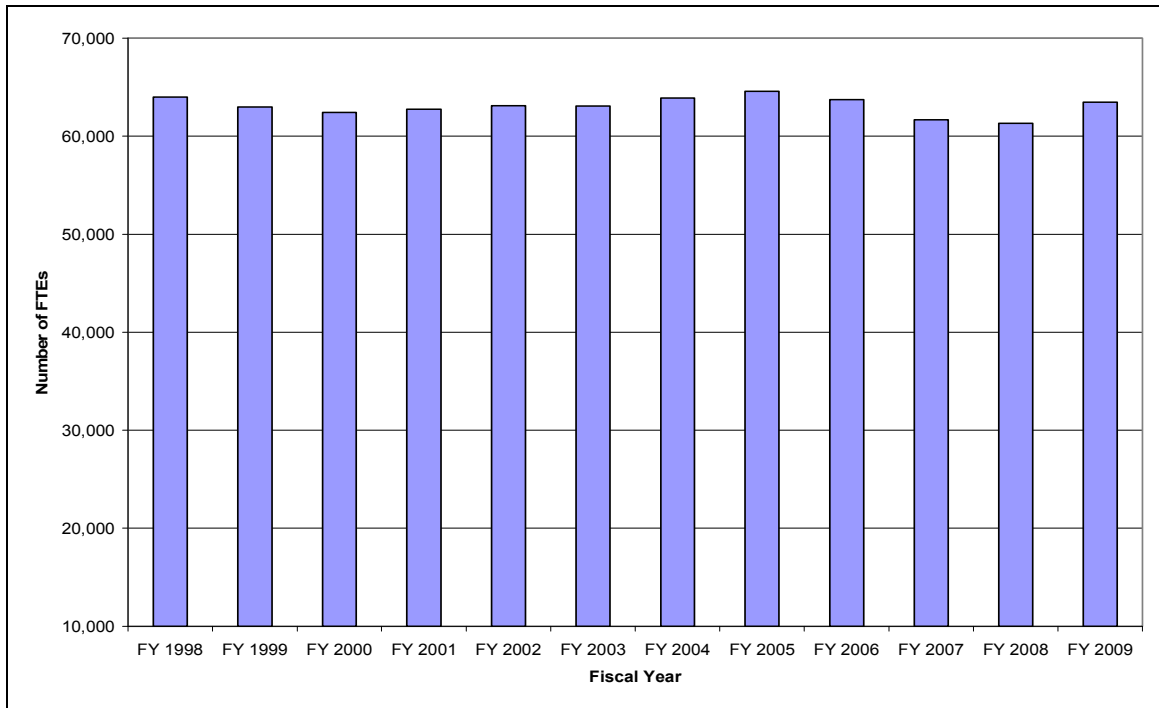
SSA’s FY2009 staffing level is approximately 63,000 full-time equivalents (FTEs). As shown in **Figure 3**, over the period from FY2005 to FY2009, the number FTEs has declined by less than 2%. Over the period from FY2000 to FY2009, the number of FTEs has increased by less than 2%. In FY2009 with funds provided by the ARRA, SSA was able to hire and train 1,531 employees for its field offices, card centers, hearing offices, and DDSs, as well as provide additional overtime hours to process critical workloads.<sup>51</sup>

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<sup>49</sup> Government Accountability Office, testimony by Barbara D. Bovbjerg before the Committee on Finance, U.S. Senate, “Social Security Administration Field Offices: Reduced Workforce Faces Challenges as Baby Boomers Retire,” May 8, 2008, at <http://www.gao.gov/new.items/d08737t.pdf?source=ra>. (Hereinafter, GAO Workforce Testimony, May 8, 2008.)

<sup>50</sup> SSAB letter, December 16, 2008.

<sup>51</sup> Patrick P. O’Carroll, Jr. Inspector General Social Security Administration, “The Social Security Administration’s Progress and New Challenges Arising From the Recession,” Hearing on Clearing the Disability Claims Backlogs, *Congressional Record*, November 2009, p. H.R. 38

**Figure 3. SSA Full-Time Equivalent Staff, FY1998-FY2009**

**Source:** SSA Budget Justification For Appropriations Committee, Fiscal Year 2011, Limitation on Administrative Expenses, Detail on Full-Time Equivalent Employment Table.

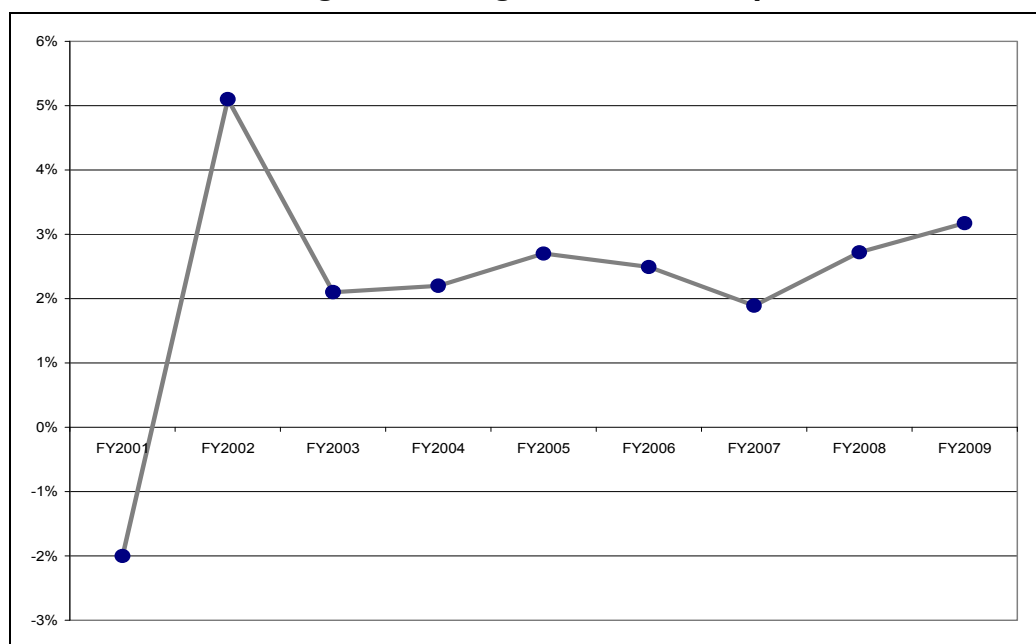
### *Productivity Gains*

On average, SSA has increased productivity by 3.17% over the past five years.<sup>52</sup> SSA's productivity improvements have been driven by its success in streamlining and automating the claims process, and SSA expects that technological improvements will allow the agency to continue making productivity improvements. The FY2009 President's budget request assumed a 2% productivity increase from FY2008. SSA exceeded its goal by increasing productivity by 3.17% as shown in **Figure 4**.<sup>53</sup> With SSA's FY2009 appropriation and ARRA funding, the agency processed over 500,000 more retirement claims, 200,000 more disability claims, and 85,000 more hearings than in FY2008.<sup>54</sup>

<sup>52</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Performance Section*, Washington, DC, 2009, p. 78, <http://ssa.gov/finance/2009/Complete%20Performance%20Section.pdf>.

<sup>53</sup> Ibid.

<sup>54</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Management's Discussion and Analysis*, Washington, DC, 2009, p. 14, <http://ssa.gov/finance/2009/Complete%20MD&A.pdf>.

**Figure 4. Average SSA Productivity**

**Source:** SSA's *Performance and Accountability Report: Performance Section*, FY2005 and FY2009 vols. , available at <http://www.ssa.gov/finance/>.

### *Future Staffing Challenges*

Just as the beginning of retirement by the baby boomers and the economic downturn increase SSA's workload, the future increases in retirement will also create staffing challenges. Many of the agency's employees are at or nearing retirement age. Over half of SSA's workforce is projected to be eligible to retire by FY2017, including 70% of supervisors.<sup>55</sup>

### **Disability Determination Service Staff in Flux**

The number of specialized staff needed to process key SSA workloads has fluctuated in recent years. One source of backlogs at SSA is in determining whether applicants for Social Security and SSI disability benefits meet the medical eligibility requirements.<sup>56</sup> These decisions are made by state disability determination service (DDS) staff, who are under contract with SSA. Since DDS staff do not work directly for SSA, they are not included in **Figure 3**. DDS staff also conduct continuing disability reviews (CDRs) to determine whether beneficiaries remain medically eligible for benefits. There are currently large CDR backlogs.

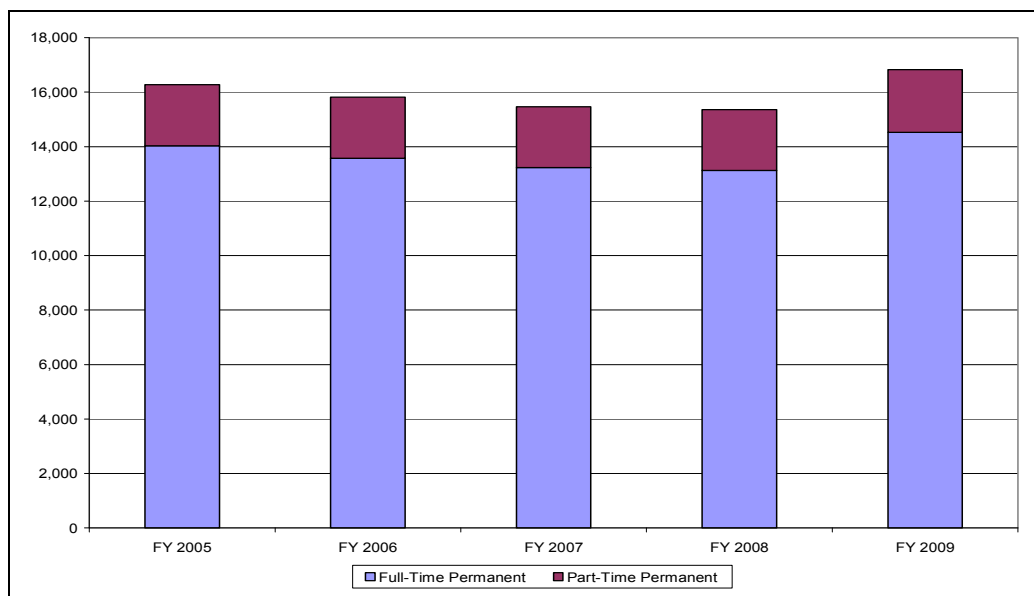
The staffing level at state disability determination services has fluctuated in recent years. From FY2005 to FY2008, DDS staff declined approximately 5% from 16,281 to 15,354. In FY2009, approximately \$249 million in ARRA funds were distributed to the DDSs, which hired additional

<sup>55</sup> GAO Workforce Testimony, May 8, 2008.

<sup>56</sup> For more information, see CRS Report RL32279, *Primer on Disability Benefits: Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI)*, by Umar Moulta-Ali.

employees to assist with this workload. This resulted in a FY2009 staff increase to 16,833 employees, a 9.6% increase from FY2008 as shown in **Figure 5**.<sup>57</sup>

**Figure 5. State Disability Determination Service (DDS) Staff, FY2005-FY2010**



**Source:** Information provided by the Social Security Administration August 5, 2010.

SSA has only limited control over the management of DDSs. DDSs are federally funded and required to follow SSA's regulations in making their disability determinations. However, they are administered by state governments, not by SSA. State governments recruit DDS staff, establish personnel policies, and provide most training. SSA's Office of the Inspector General (OIG) has found that the performance level of DDSs varies widely.<sup>58</sup>

### State Furloughs of DDS Employees

To deal with budget deficits, some states have instituted, or are considering furloughs for state employees, including staff at the DDSs. As shown in **Table 6**, nine states had implemented, or were considering, furloughs for all DDS employees as of November 2009, and three states had implemented furloughs for some DDS employees.

<sup>57</sup> Information provided by the Social Security Administration on August 5, 2010.

<sup>58</sup> Testimony by Patrick P. O'Carroll, Jr., Inspector General, Social Security Administration, before the House Committee on Appropriations, Subcommittee on Labor, Health and Human Services, Education, and Related Agencies, February 28, 2008, at [http://www.ssa.gov/oig/communications/testimony\\_speeches/02282008testimony.htm](http://www.ssa.gov/oig/communications/testimony_speeches/02282008testimony.htm). (Hereinafter, *OIG Appropriations Testimony*, February 28, 2008.)

**Table 6. DDS Furloughs Implemented or Being Considered as of November 2009**

DDS	Number of Furlough Days per FY	Notes
California	36	Applies to all employees through June 2010.
Connecticut	3	Applies to all employees for FY2010.
Hawaii	18 to 24	Applies to all employees for FY2010 and FY2011.
Maine	10	Applies to FY2010 and FY2011. Some staff exempted.
Massachusetts	3 to 9	Applies to managers for FY2010, with number of days depending on salary. Other staff exempt from furlough.
Nevada	12	Applies to FY2010 and FY2011. Adjudicative staff # examiners, medical consultants, unit supervisors, and call center staff # exempt from furlough.
New jersey	10	Applies to all employees through June 2010.
Ohio	10	Applies to all employees for FY2010 and FY2011.
Oregon	6 to 7	Applies to all employees in FY2010 and FY2011. Includes DDS shutdown days and furlough days based on salary.
Rhode Island	12	Applies to all employees through June 2010.
Virginia	1	Applies to all employees on May 28, 2010.
Wisconsin	8	Applies to all employees for FY2010 and FY2011.

**Source:** Social Security Administration, Office of the Inspector General, *Quick Response Evaluation: Impact of State Budget Issues on the Social Security Administration's Disability Programs*, Report No. A-01-10-11006, Washington, DC, p. 5 November 2009, p. <http://www.socialsecurity.gov/oig/ADOBEPDF/A-01-10-11006.pdf>.

**Notes:** Although the federal fiscal year runs from October 1 through September 30, most state fiscal years run from July 1 through June 30. For the purposes of this report, it has been assumed that the current state furloughs would continue throughout federal FY2010.

SSA reimburses the DDS for 100% of all expenditures related to the processing of initial disability determinations and CDRs. This reimbursement covers itemized costs as well as non-itemized and administrative expenses. These funds can only be used for DDS employee salaries and overhead. State governments do not contribute in any way to the cost of the DDSs. Hence there is no cost savings to the states that furlough DDS employees.<sup>59</sup>

### *Why States Furlough DDS Employees*

States generally claim that it would be unfair to exempt a specific group of workers, such as DDS employees, from statewide furloughs or personnel actions. Also, because some state positions are funded partially through external sources, identifying which employees should or should not be

<sup>59</sup> For more information, see CRS Report R40876, *State Furloughs of Disability Determination Services (DDS) Employees*, by Scott Szymendera and Carol J. Toland.



furloughed could present administrative difficulties and costs. In addition, states may initially have to bear responsibility for DDS employee benefits and pension contributions until they are reimbursed by the federal government. In some states, collective bargaining agreements and civil service rules require that DDS employees be subject to the same personnel actions as other state workers.

### *Impact of Furloughs*

Furloughs of DDS employees will have an impact on SSA's ability to process the disability workload. In the nine states furloughing or considering furloughing all DDS employees in FY2010, those DDSs will encounter a capacity shortfall up to 14% because of furlough days. As a result, it is expected that approximately 69,000 disability cases will be delayed in processing over the next 12 months. This wait will result in about \$126.2 million in benefits that will not be paid to disabled beneficiaries during this period that would have been paid if the furloughs had not occurred.<sup>60</sup> **Table 7** shows the states and the calculation of costs of the planned furloughs based on SSA's estimates in **Table 6**.

**Table 7. Costs of Planned Furloughs by DDSs**

DDS	Value of 1 Day Furlough			Costs of Planned Furloughs per Year			
	Number of Cases	Administrative Funding	Monthly Benefits Delayed	Furlough Days per Year	Number of Cases	Administrative Funding	Delayed Benefits
California	1,476	\$849,400	\$420,800	36	53,136	\$30,578,400	\$98,467,200
Connecticut	127	\$76,500	\$31,200	3	381	\$229,500	\$608,400
Hawaii	41	\$26,500	\$15,400	18	738	\$477,000	\$1,801,800
New Jersey	336	\$212,000	\$121,400	10	3,360	\$2,120,000	\$7,891,000
Ohio	731	\$345,100	\$149,900	10	7,310	\$3,451,000	\$9,743,500
Oregon	179	\$101,100	\$52,900	6	1,074	\$606,600	\$2,063,100
Rhode Island	56	\$31,800	\$15,000	12	672	\$381,600	\$1,170,000
Virginia	300	\$154,000	\$88,500	1	300	\$154,000	\$88,500
Wisconsin	249	\$124,000	\$83,900	8	1,992	\$992,000	\$4,362,800
<b>Total</b>	<b>3,495</b>	<b>\$1,920,400</b>	<b>\$979,000</b>	<b>104</b>	<b>68,963</b>	<b>\$38,990,100</b>	<b>\$126,196,300</b>

**Source:** Social Security Administration, Office of the Inspector General, *Quick Response Evaluation: Impact of State Budget Issues on the Social Security Administration's Disability Programs*, Report No. A-01-10-11006, Washington, DC November 2009, p. C-2-C4, <http://www.socialsecurity.gov/oig/ADOBEPDF/A-01-10-11006.pdf>.

**Notes:** Although the federal fiscal year runs from October 1 through September 30, most state fiscal years run from July 1 through June 30. For the purposes of this report, it has been assumed that the current state furloughs would continue throughout Federal FY2010.

Furloughs slow the processing of claims for disability benefits, which results in the reduced flow of those benefits into the economy. In recognizing the inherent cost of state mandated furloughs,

<sup>60</sup> Social Security Administration, Office of the Inspector General, *Quick Response: Impact of State Budget Issues on the Social Security Administration's Disability Programs*, Report No. A-01-10-11006, Washington, DC, November 2009, pp. 5-6, <http://www.socialsecurity.gov/oig/ADOBEPDF/A-01-10-11006.pdf>.

SSA has worked with some states to exempt DDS employees from furloughs and has estimated savings for these states in **Table 8**.

**Table 8. Savings from Furlough Exemptions by DDSs**

DDS	Value of 1-Day Furlough			Furlough Days Avoided Per Year	Savings from furlough Exemptions per Year		
	Number of Cases	Administrative Funding	Monthly Benefits Processed		Number of Cases	Administrative Funding	Benefits Not Delayed
Colorado	130	\$76,700	\$40,800	4	520	\$306,800	\$1,060,800
Illinois	574	\$289,700	\$154,900	12	6,888	\$3,476,400	\$12,082,200
Maine	68	\$33,200	\$18,000	10	680	\$332,000	\$1,170,000
Maryland	242	\$118,500	\$69,400	8	1,936	\$948,000	\$3,608,800
Massachusetts	296	\$167,900	\$102,100	6	1,776	\$1,007,400	\$3,981,900
Nevada	102	\$53,100	\$32,000	12	1,224	\$637,200	\$2,496,000
<b>Total</b>	<b>1,412</b>	<b>\$739,100</b>	<b>\$417,200</b>	<b>52</b>	<b>13,024</b>	<b>\$6,707,800</b>	<b>\$24,399,700</b>

**Source:** Social Security Administration, Office of the Inspector General, *Quick Response Evaluation: Impact of State Budget Issues on the Social Security Administration's Disability Programs*, Report No. A-01-10-11006, Washington, DC, November 2009, p. C-5, <http://www.socialsecurity.gov/oig/ADOBEPDF/A-01-10-11006.pdf>.

Because SSA has worked with these states to exempt DDS employees from furloughs, it is estimated that approximately 13,000 disability cases will be processed that would have been delayed. These beneficiaries will receive about \$24.4 million in benefits that would otherwise have been delayed. Additionally, these states will receive almost \$6.7 million in administrative funding that SSA would not have paid if these DDS employees had been furloughed.

### *Rising Attrition Rates in some DDSs*

The national attrition rate for DDS disability examiners was 12.5% in FY2008 and 12.2% in FY2009. The attrition rate has remained steady at the national level and has declined in more than 30 DDSs. However, some DDSs have experienced a significant rise in the attrition rate—partly due to state budget and pay issues. In Connecticut, for example, the examiner attrition rate rose from 4.9% in FY2008 to 23.6% in FY2009.<sup>61</sup> Similarly, the examiner attrition rate in Kansas rose from 12% to 26.2%, and the rate in New Mexico rose from 3.5% to 22.3%. This issue may become more of an obstacle to SSA's processing of disability workloads if furloughs and other state budget issues continue.

### **Administrative Law Judges in Flux**

The most significant backlogs facing SSA are for hearings by disability claimants who were denied benefits at the initial level. Administrative law judges (ALJs) conduct these hearings. The number of ALJs has fluctuated in recent years as shown in **Figure 6**.

<sup>61</sup> Social Security Administration, Office of the Inspector General, *Quick Response Evaluation: Impact of State Budget Issues on the Social Security Administration's Disability Programs*, Report No. A-01-10-11006, Washington, DC, November 2009, p. 7, <http://www.socialsecurity.gov/oig/ADOBEPDF/A-01-10-11006.pdf>.

The Office of Personnel Management (OPM) temporarily suspended the ALJ hiring process from 1999 to 2003 because of litigation on changes to the formula for scoring ALJ applicants. In 2002, a one-time exception to the freeze was agreed to by both parties in the lawsuit to allow SSA to hire 125 ALJs to address a critical shortage. However, SSA attributes part of its growing backlog during this period to its inability to hire ALJs for several years prior to 2002.<sup>62</sup> OPM began to hire ALJs again after a 2003 court decision, but only from the pool of applicants who qualified prior to the lawsuit. On March 20, 2007, OPM published a final rule to update the ALJ selection process, and in February 2008, SSA announced that the agency had begun to make offers to 144 of the 189 new ALJs that the agency would hire in FY2008.<sup>63</sup> In FY2009, with funding provided by the ARRA,<sup>64</sup> SSA hired an additional 147 ALJs and 850 support staff.<sup>65</sup> For the first time since 1999, SSA ended the fiscal year with fewer hearings pending than it had at the start of the year.<sup>66</sup> During FY2010, the agency plans to hire an additional 166 ALJs and 950 support staff. SSA is projecting that it will have 1,178 ALJs available in FY2010, or 1.7% fewer available ALJs than it projected in FY2009. However, SSA is projecting that it will have 1,348 available ALJs by FY2013, or 1.6% more than it initially projected in FY2009. SSA's ability to hire ALJs depends on the following factors: appropriations; space availability; and OPM's ability to screen applicants and to create a list of eligible candidates.<sup>67</sup> Additionally, SSA is challenged with replacing a large percentage of its ALJ pool who will be reaching retirement. About 86% of ALJs will be eligible to retire by 2012, and nearly all by 2017.<sup>68</sup>

SSA has limited control over the management of its ALJs. The selection process for ALJs is conducted by OPM, not SSA, as a result of the Administrative Procedure Act of 1946 (P.L. 79-404), which was intended to guarantee the independence of ALJs. ALJs are exempt from performance ratings, evaluations, and bonuses. Agency officials may not interfere with their decision making. By law, ALJs may be discharged only for good cause as determined by a hearing before the Merit Systems Protections Board. Congress did not define "good cause" in the law, and low productivity has not historically been found to constitute good cause for the removal or discipline of ALJs.

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<sup>62</sup> Testimony by Jo Anne Barnhart, Commissioner, Social Security Administration, before the House Committee on Ways and Means, "The Commissioner of Social Security's Proposal to Improve the Disability Process," September 30, 2004.

<sup>63</sup> SSA, "Social Security Offers Positions to 144 Administrative Law Judges," February 26, 2008, at <http://www.ssa.gov/pressoffice/pr/ALJ-hiringpr.htm>. SSA has since announced that it hired additional 14 ALJs, for a total of 189.

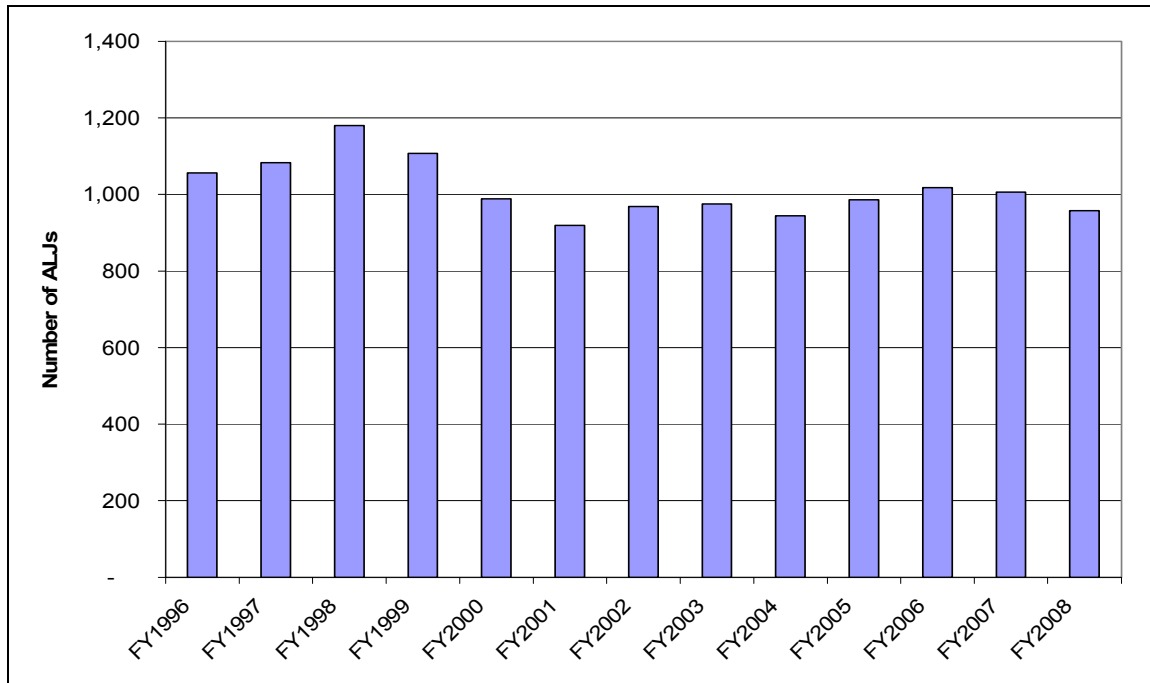
<sup>64</sup> In FY2009, \$30 million was allocated to hire administrative law judges and support staff.

<sup>65</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Management's Discussion and Analysis*, Washington, DC, 2009, p. 11, <http://www.ssa.gov/finance/2009/Complete%20MD&A.pdf>.

<sup>66</sup> SSA started FY2009 with 760,000 hearings pending and ended the year with 722,822 hearings pending.

<sup>67</sup> Social Security Administration, Office of the Inspector General, *The Office of Disability Adjudication and Review's 2013 Pending Hearings Backlog Plan*, Report No. A-12-10-20114, Washington, DC, July 2010, p. 6, <http://www.socialsecurity.gov/oig/ADOBEPDF/auditxt/A-12-10-20114.html>.

<sup>68</sup> GAO, "Older Workers: Federal Agencies Face Challenges, but Have Opportunities to Hire and Retain Experienced Employees," April 30, 2008, <http://www.gao.gov/new.items/d08630t.pdf>.

**Figure 6. SSA Administrative Law Judges (ALJs), FY1996-FY2008**

**Source:** Social Security Administration (SSA), Annual Statistical Supplement, 1997-2009 vols. , Table 2.F8. These volumes are available at <http://www.ssa.gov/policy/docs/statcomps>.

## Infrastructure

In addition to funding and staffing, SSA needs adequate infrastructure in order to manage its workload. Key components of the necessary infrastructure include field offices, computer systems, and telephone systems.

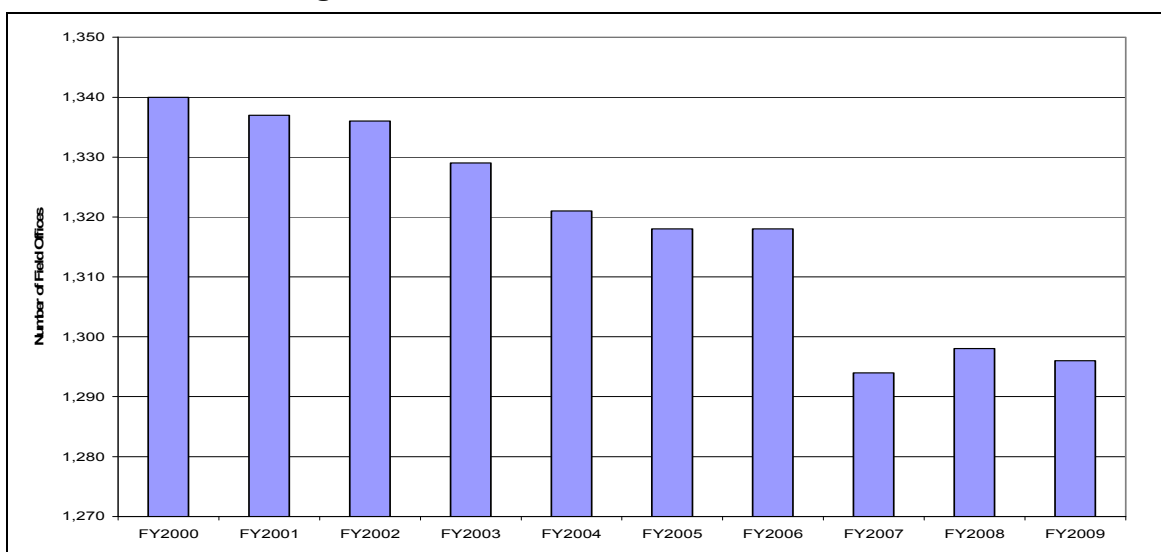
### SSA Field Offices

SSA's field offices are the public face of the agency, where people can apply for Social Security cards, file for Social Security and SSI benefits, update information on file with the agency, and request many other services. About 45% of SSA's employees serve at field offices.

#### *Number of Field Offices Declining*

The number of SSA field offices has remained relatively static, declining slightly over time. In FY2009, the number of field offices was 1,296. As shown in **Figure 7**, from FY2005 to FY2009, the number of field offices has declined by 1.7%. From FY2000 to FY2009, the number of field offices has declined by 3.3%.

Figure 7. SSA Field Offices, FY2000-FY2009



**Source:** Social Security Administration (SSA), *Annual Statistical Supplement, 1997-2009* vols. , These volumes are available at <http://www.ssa.gov/policy/docs/statcomps>. FY2009 data from U.S. Government Accountability Office, *Social Security: Better Planning Needed to Improve Service Delivery*, GAO-10-586T, April 15, 2010, p. 2, <http://www.gao.gov/new.items/d10586t.pdf>.

**Notes:** Number of total field offices include level 1 field offices, level 2 field offices, resident stations, and social security card centers.

### Process for Reorganizing Field Offices

SSA has a formal process for deciding how to reorganize field offices. At least once every five years, Service Delivery Assessments are to be conducted in each field office. Based on these assessments, SSA's regional offices are to make recommendations for field office reorganization based on workloads, staffing, and local demographics. These recommendations are forwarded to SSA headquarters, where they are approved or denied. When a field office is moved, SSA's regional offices are responsible for contacting all stakeholders in the local area, including Congressional offices. When a closure is planned, SSA is also supposed to discuss the proposal with Congressional staff in Washington, DC.

A recent development in SSA's reorganization of field offices is the establishment of Social Security Card Centers (SSCC). As of February 2010, there are seven card centers in operation.<sup>69</sup> These card centers are intended to improve efficiency, ensure the security of the Social Security card application process, and deal with the anticipated growth in card applications if immigration legislation is passed into law. SSCCs are located in Queens, NY; Brooklyn, NY; Orlando, FL; North Phoenix, AZ; Downtown Phoenix, AZ; Las Vegas, NV; and Sacramento, CA.<sup>70</sup> In areas served by a card center, individuals are to apply for a new or replacement Social Security card in

<sup>69</sup> Social Security Administration, *Annual Statistical Supplement to the Social Security Bulletin, 2009*, Table 2.F1, Washington, DC, February 2010, p. 2.70, <http://www.socialsecurity.gov/policy/docs/statcomps/supplement/2009/supplement09.pdf>.

<sup>70</sup> Ibid.

person at the center; they may not apply for cards at their local field offices or by mail. This can pose an inconvenience for some applicants, since card centers serve much larger areas than field offices.

## **Information Technology**

SSA relies upon an extensive computer system, which keeps track of worker and beneficiary records, processing claims, and also provides a public website. Established in 1994, SSA's website includes online benefit applications, requests for statements, replacement Medicare cards, and disability reports. SSA has announced its intention to enhance the services available on its website. In July 2008, the agency launched an online calculator that provides personalized benefit estimates to help people plan for retirement. The "retirement estimator" is tied to a person's actual Social Security earnings record. The agency also introduced a new online retirement application for benefits in FY2009.<sup>71</sup> SSA reported that online application use increased more than 100% from 407,443 to 833,443 from FY2008 to FY2009.<sup>72</sup> In addition, SSA reported a more than 100% increase in initial disability claims filed online. In FY2009, almost 600,000 individuals filed for disability benefits online as opposed to 260,202 in FY2008. According to SSA, the increase occurred because of *Disability Direct*, an initiative that made it simpler and quicker to apply for disability benefits by using *iClaim*, a tool that lets people file for benefits electronically from home or work.<sup>73</sup>

Although SSA's online capabilities have improved as discussed in the previous paragraph; according to the SSAB, SSA's computer system "is outdated, and could prove unreliable and subject to security risk if not replaced."<sup>74</sup> SSA's database system, the Master Data Access Method (MADAM) was developed in-house in the early 1980s. MADAM is built on top of software written in the Common Business-Oriented Language (COBOL). Both MADAM and COBOL require increasingly rare and specialized expertise.<sup>75</sup> In a recent study, the National Research Council (NRC) found that MADAM is "technologically obsolete and functionally primitive."<sup>76</sup> The NRC also recommended that the National Computer Center (NCC) in Baltimore be replaced. SSA estimated that the 30-year-old center "will be unable to handle the expected computer processing workload and will be near collapse by the end of 2012."

To address its growing workload, SSA began building a new processing center, the Durham Support Center, in May 2009. The Durham Support Center and the NCC currently divide operations to improve operational capacity and data security. SSA reported, that within two years, each facility will continually back up data from the other. In 2009, the ARRA provided \$500 million to replace the NCC, which the SSA projects will be operational by 2015.<sup>77</sup>

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<sup>71</sup> SSA, "Estimate Your Social Security Retirement Benefits Online Now," July 21, 2008, at <http://www.ssa.gov/estimator/>.

<sup>72</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Management's Discussion and Analysis*, Washington, DC, 2009, p. 28, <http://www.ssa.gov/finance/2009/Complete%20MD&A.pdf>.

<sup>73</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Performance Section*, Washington, DC, 2009, p. 55, <http://www.ssa.gov/finance/2009/Complete%20Performance%20Section.pdf>.

<sup>74</sup> SSAB letter, December 16, 2008.

<sup>75</sup> Michael Astrue, commissioner of the Social Security Administration, Backlog Testimony, April 23, 2008.

<sup>76</sup> National Research Council, *Social Security Administration Electronic Service Provision: A Strategic Assessment*, 2007, The National Academies Press, p 7.

<sup>77</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Other Accompanying* (continued...)

## Telephone Systems

SSA's national toll-free telephone number was established in 1989.<sup>78</sup> Services available by telephone include filing a claim, requesting a duplicate Social Security card, reporting a change of address, inquiring about a lost check, or asking questions. The majority of retirement and survivors claims are filed by telephone. In FY2009, SSA handled 67 million transactions to its 800 number, 10 million more than in FY2008.<sup>79</sup> In FY2009, SSA also reported an average speed of 245 seconds (four minutes, five seconds) to answer an 800 number call and a busy rate of 8%.<sup>80</sup> Additionally, the agency began replacing its field office phone systems.

In March 2008, SSA awarded a \$300 million contract for a Voice over Internet Protocol (VoIP) telephone system for nearly 1,600 field offices.<sup>81</sup> Also, in 2008, SSAB recommended that SSA adopt an integrated e-mail and web-based communication system.<sup>82</sup> In response, SSA started planning and analysis for click-to-communicate technology in FY2009, that would allow call center representatives to assist online users in *real-time*.<sup>83</sup>

## Service Delivery

At current resource levels, SSA is falling behind on its workload. This is most evident in the substantial backlogs that have emerged in the disability programs. SSA has also fallen behind on its program integrity activities to ensure that benefits are paid in the correct amounts and only to eligible individuals. These benefit reviews verify medical and financial eligibility and delaying them costs the programs money in the long run. SSA has also had customer service problems.

Service delivery problems create a ripple effect. Field office staff who are overwhelmed with growing claims may not have sufficient time to assist disability applicants in filing adequately documented claims. As a result, these applicants may be turned down for benefits and enter into the appeals waiting list, adding to the agency's workload. Similarly, when SSA falls behind on record-keeping—for example, making changes to reported earnings of beneficiaries—delays may result in benefit overpayments that create more work for the agency, and possibly the loss of money if the agency is unable to recover the excess benefits. SSA is forced to choose between competing priorities when allocating its limited resources. Focusing on processing claims means that less staff time is available for program integrity, which could result in program savings.

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(...continued)

*Information*, Washington, DC, 2009, p. 177, <http://www.ssa.gov/finance/2009/Complete%20OAI.pdf>.

<sup>78</sup> SSA's toll-free telephone number, 1-800-772-1213.

<sup>79</sup> Social Security Administration, *Performance and Accountability Report: Management's Discussion and Analysis*, FY2008-FY2009 vols. , Washington, DC, 2009, p. 9, <http://www.ssa.gov/finance/index.html>.

<sup>80</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Performance Section*, Washington, DC, 2009, p. 58, <http://www.ssa.gov/finance/2009/Complete%20Performance%20Section.pdf>.

<sup>81</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Other Accompanying Information*, Washington, DC, 2009, p. 168, <http://www.ssa.gov/finance/2009/Complete%20OAI.pdf>.

<sup>82</sup> SSAB letter, December 16, 2008.

<sup>83</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Management's Discussion and Analysis*, Washington, DC, 2009, p. 29, <http://www.ssa.gov/finance/2009/Complete%20MD&A.pdf>.

## Backlogs in the Disability Programs

Substantial backlogs have emerged in the disability programs, most notably at the hearings level. Since 2003, GAO has listed the federal disability programs, including those administered by SSA, as high risk.<sup>84</sup> GAO's concerns include lengthy disability claims processing times and the accuracy and consistency of disability decisions.

### Increase in the Number of Applicants

The increase in the number of applicants for the Disability Insurance (DI) program has been disproportionately larger than the rise in the overall population. A number of factors have influenced the surge in applications and beneficiaries. The increase is partly attributable to an aging population, with baby boomers entering the ages at which they are most likely to apply for disability benefits. Longer work histories (especially for women) have increased the number of people insured in the event of disability. Changes in benefits, economic conditions (e.g., rising unemployment), and policy and program changes may have also led to the increase in applicants.<sup>85</sup>

### Backlogs and Processing Times for Initial Disability Claims

There is currently a backlog of initial disability claims pending at state DDSs. SSA reported that approximately 780,000 initial disability claims were pending at the end of FY2009.<sup>86</sup> Of these cases, 380,000 would be considered backlogged. (SSA's methodology for estimating backlogs has changed over time. The agency currently considers 400,000 initial disability claims pending to be optimal; any cases pending above that amount are considered backlogs.<sup>87</sup>) Numbers of pending initial disability claims has shown overall growth over the years with a noticeable spike in FY2009.

As shown in **Figure 8**, between FY2007 to FY2009, the number of pending initial disability claims has increased nearly 40.4%. SSA expects the pending level of initial claims to reach 1 million by FY2010 and to have continued increases in initial claims for several more years.<sup>88</sup>

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<sup>84</sup> Government Accountability Office, *High Risk Series: An Update*, GAO-09-271, January 2009, at <http://www.gao.gov/new.items/d09271.pdf>.

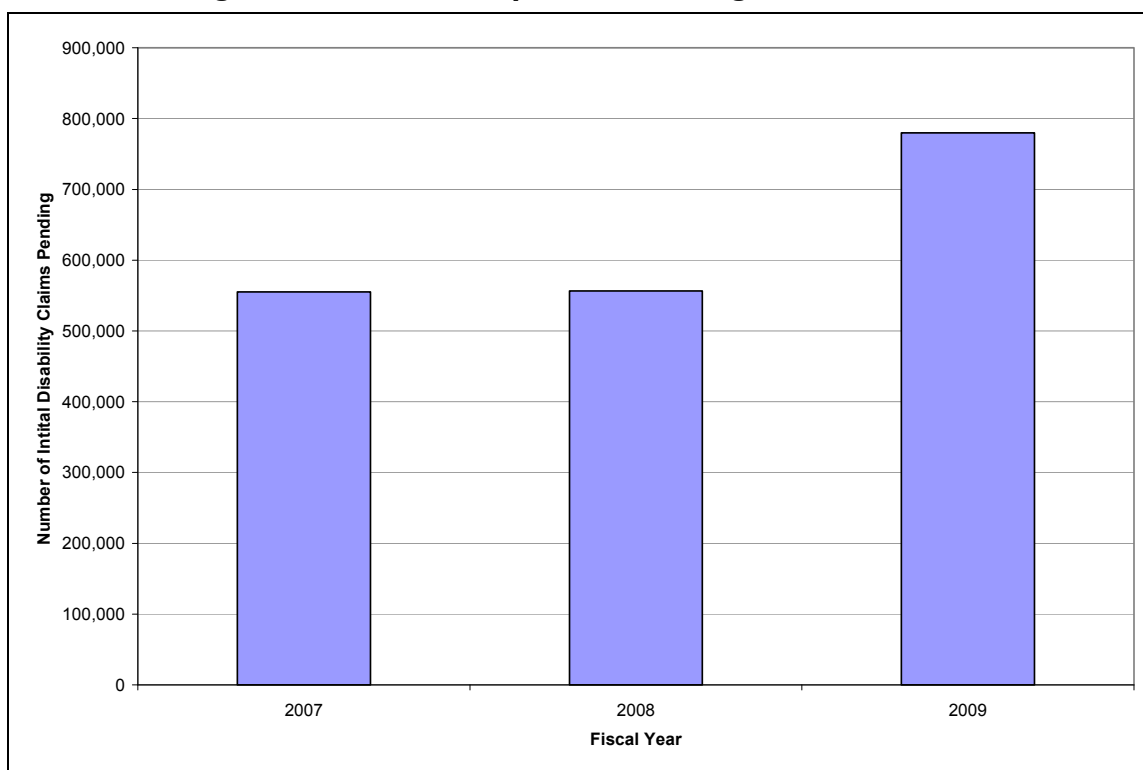
<sup>85</sup> SSA, *Trends in the Social Security and Supplemental Security Income Disability Programs*, August 2006, at [http://www.ssa.gov/policy/docs/chartbooks/disability\\_trends/index.html](http://www.ssa.gov/policy/docs/chartbooks/disability_trends/index.html).

<sup>86</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Other Accompanying Information*, Washington, DC, 2009, p. 163, <http://www.ssa.gov/finance/2009/Complete%20OAI.pdf>.

<sup>87</sup> SSA establishes targets for the number of claims that should optimally be pending a decision or in the pipeline at year-end based on several factors, including staff level and incoming receipt patterns. This "optimal" pending level can change if these factors shift. However, the methodology used to calculate these estimates was constant: 400,000 "optimal" cases pending were subtracted from each year's actual number of pending cases.

<sup>88</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Other Accompanying Information*, Washington, DC, 2009, p. 163, <http://www.ssa.gov/finance/2009/Complete%20OAI.pdf>.



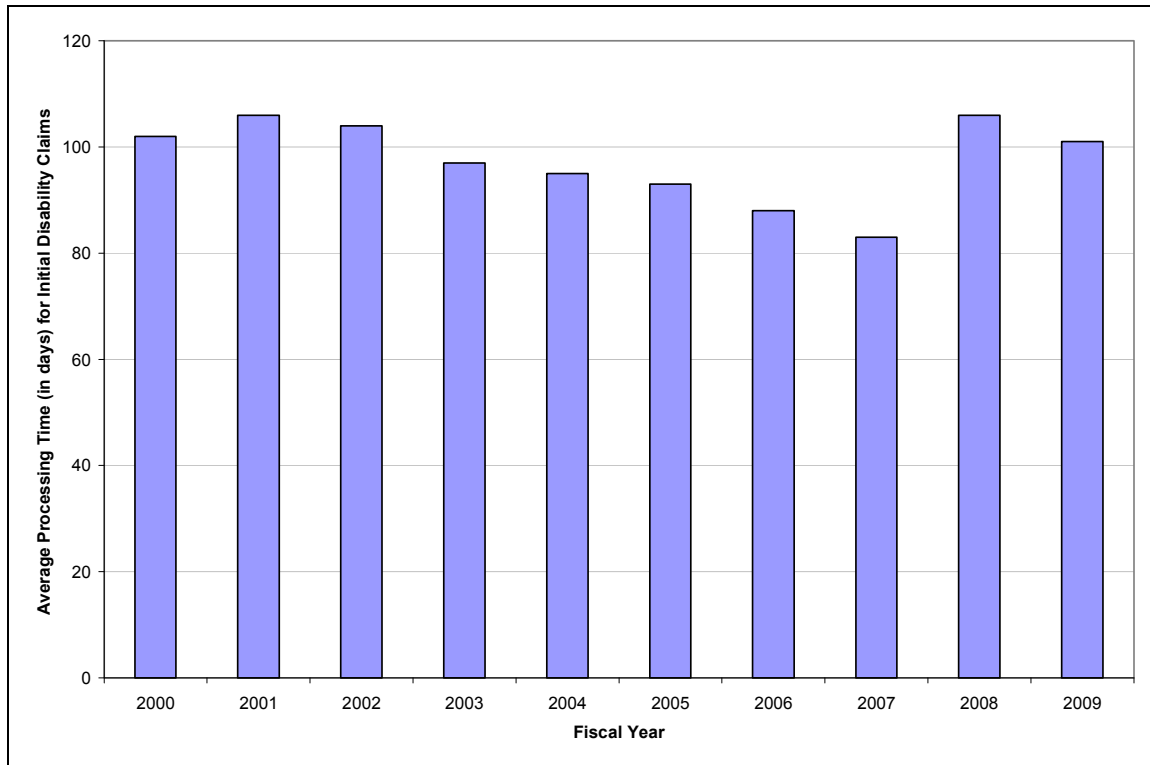
**Figure 8. Initial Disability Claims Pending, FY2007-FY2009**

**Source:** Social Security Administration, *Annual Performance Plan for FY2011*, Objective 2.2b, pg. 25

**Notes:** SSA's methodology for calculating backlogs has changed over time. However, the methodology used to calculate these estimates was constant; 400,000 "optimal" cases pending were subtracted from each year's actual number of pending cases.

**Figure 9** shows the average processing time for initial disability claims in days. The average processing time in FY2009 was 101 days, or about three and a half months.<sup>89</sup> From FY2000 to FY2009, the average processing time has increased approximately 24%. From FY2005 to FY2009, the average processing time for initial disability claims has increased approximately 16%, although it decreased by 4% between FY2008 and FY2009. Beginning in FY2008, SSA changed the method for calculating initial disability claims processing time to exclude the technical denials which are usually processed relatively quickly since the cases are not sent to the DDS for a medical decision. This change resulted in a sharp increase in the average processing time for FY2008.

<sup>89</sup> By law, a person must wait five months from the onset of a qualifying disability before he or she receives Social Security disability benefits, so a processing time of three months may not delay the receipt of benefits for Social Security applicants. There is no such waiting period for SSI disability benefits. See CRS Report RS22220, *Social Security Disability Insurance (SSDI): The Five-Month Waiting Period for Benefits*, by Umar Moulta-Ali, Social Security Disability Insurance: The Five-Month Waiting Period for SSDI Benefits, by Scott Szymendera.

**Figure 9. Average Processing Time for Initial Disability Claims, FY2000-FY2009**

**Source:** Social Security Administration: *Performance and Accountability report: Performance Section, FY2000-FY-2009 Objective 2.1* pg. 54 (in FY2009), <http://www.ssa.gov/finance/index.html>.

## Backlogs and Processing Times for Hearings

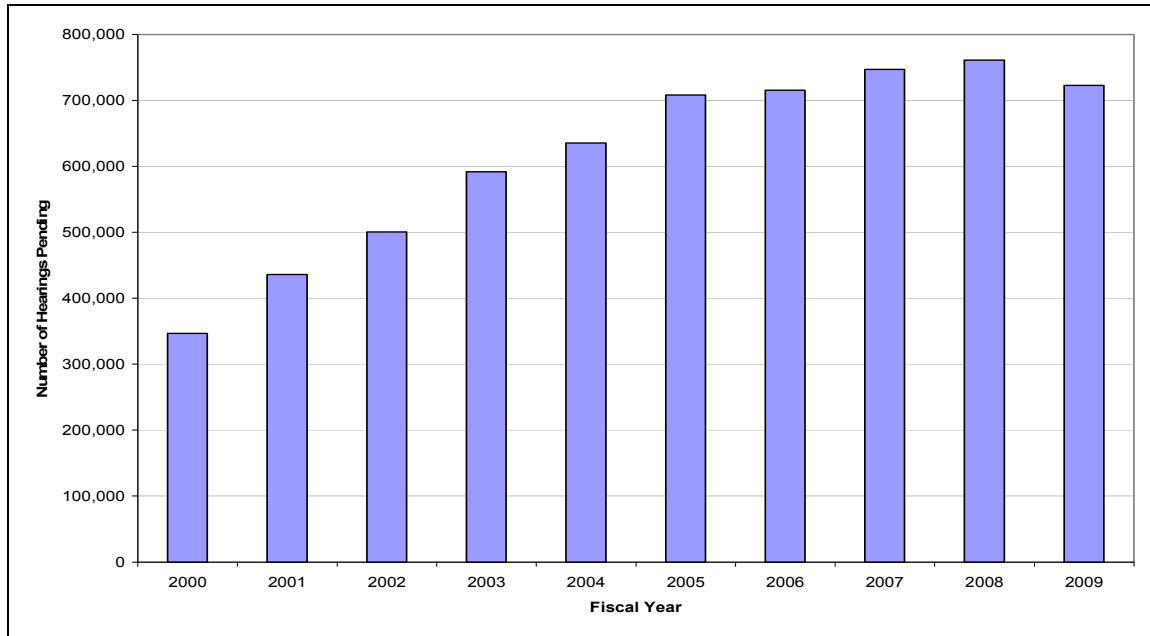
SSA's largest backlogs are in hearings to appeal initial decisions, which are heard by ALJs. To estimate the number of backlogged hearings, SSA establishes targets for the number of claims that should optimally be pending a decision or in the pipeline at year-end based on several factors, including staff level and incoming receipt patterns. This "optimal" pending level can change if these factors shift. This optimal number is subtracted from the actual number of pending cases to estimate the backlog. In the long-term, SSA considers the optimal number of hearings pending to be about 466,000; any hearings pending above that amount are considered backlogs. (For example, in FY2009, 722,822 hearings were pending; subtracting 466,000 optimal hearings results in a backlog of 257,000.)

The backlog in hearings has grown substantially since FY2000, the last year with no backlog. In FY2009, 722,822 hearings were considered pending. As shown in **Figure 10**, over the period from FY2005 to FY2009, the hearings pending has increased 2%. During this time hearing backlogs actually increased rather than decreased because SSA changed its methodology for estimating backlogs.

Over the period of FY2002 to FY2009, the optimal number of hearings pending has ranged from 300,000 (in FY2002-FY2007) to 466,000 (in FY2008-FY2009). As a result, some of the apparent changes in the number of backlogged hearings are due to methodological differences. For example, the actual number of pending hearings grew from about 747,000 in FY2007 to about 761,000 in FY2008, while the number considered backlogged fell. This was not an issue

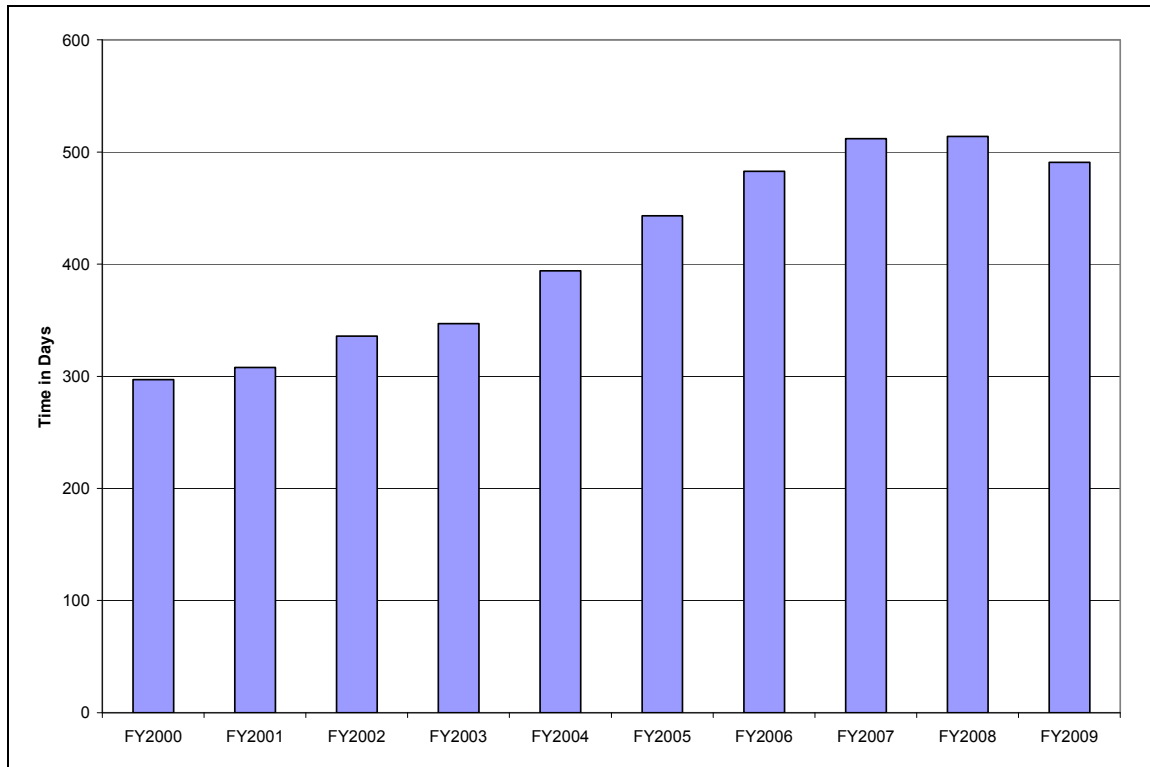
between FY2008 and FY2009 whereas pending hearings and the number considered backlogged fell simultaneously.

**Figure 10. Hearings Pending, FY2000-FY2009**



**Source:** Social Security Administration's, *Performance and Accountability Report: Performance Section, FY2000-FY2009* vols. , <http://www.ssa.gov/finance/index.html>.

**Figure 11** shows the average processing time in days for a hearing before an ALJ. The average processing time in FY2009 was 491 days, or close to a year and four months. From FY2005 to FY2009, the average processing time for hearings has increased by 48 days (or 11%). From FY2000 to FY2009, the average processing time has increased 194 days (or 65%). In FY2007, 36% of hearing claims took more than 600 days to process, and an additional 7% took more than 900 days.

**Figure 11. Average Processing Time for Hearings, FY2000-FY2009**

**Source:** Social Security Administration, *Performance and Accountability Report: Performance Section, FY2000-FY2009 vols.*, [http://www.ssa.gov/finance/..](http://www.ssa.gov/finance/)

With the additional funding provided by Congress in FY2008, SSA began implementing a five-year Hearings Backlog Reduction Plan, which includes process improvements, increased automation, and ALJ hiring.<sup>90</sup> In FY2008, SSA processed approximately 575,000 hearings. In FY2009, congressional appropriations and ARRA funding helped SSA process 85,000 more hearings than in FY2008.<sup>91</sup> Additional changes in agency policy, created to streamline its hearing process can also be attributed to this accomplishment. For example, the Senior Attorney Adjudicator Program allows the most experienced attorneys to issue favorable decisions in certain cases without the need to conduct an actual hearing.<sup>92</sup> SSA noted that it is on pace to eliminate the hearings backlog by the end of FY2013.<sup>93</sup>

## Fewer Program Integrity Activities

SSA conducts periodic reviews to make sure that Social Security disability and SSI beneficiaries are still eligible for the benefits they receive. The two types of reviews are *continuing disability*

<sup>90</sup> Michael Astrue, commissioner of the Social Security Administration, Appropriations Testimony, February 28, 2008.

<sup>91</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009 Management's Discussion and Analysis*, Washington, DC, 2009, p. 14, <http://www.ssa.gov/finance/2009/Complete%20MD&A.pdf>.

<sup>92</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Management's Discussion and Analysis*, Washington, DC, 2009, p. 12, <http://www.ssa.gov/finance/2009/Complete%20MD&A.pdf>.

<sup>93</sup> Social Security Administration, *Justification of Estimates For Appropriations Committees: Fiscal Year 2011*, Washington, DC, 2010, p. 4, <http://www.socialsecurity.gov/budget/Budget%20Overview%20Final.pdf>.

*reviews (CDRs)*, which verify medical eligibility, and *SSI redeterminations*, which verify financial eligibility. There has been a sharp decline in both types of reviews in recent years as SSA has shifted available funds and staff toward basic service delivery and away from program integrity. Delaying these reviews saves administrative expenses in the short run but costs the programs substantially more in the long run.

### **Continuing Disability Reviews**

SSA is required by law to review the medical eligibility of people who receive benefits based on a disability.<sup>94</sup> CDRs are intended to ensure that only those who remain disabled continue to receive Social Security and SSI disability benefits. SSA estimates that the return on investment for CDRs is about \$10 in lifetime program savings for every \$1 spent in conducting them.<sup>95</sup> In FY2006, the cost to SSA of periodic CDRs was \$360 million, whereas the projected future benefit savings was estimated at \$3.8 billion.<sup>96</sup>

### ***Number of CDRs Has Fallen***

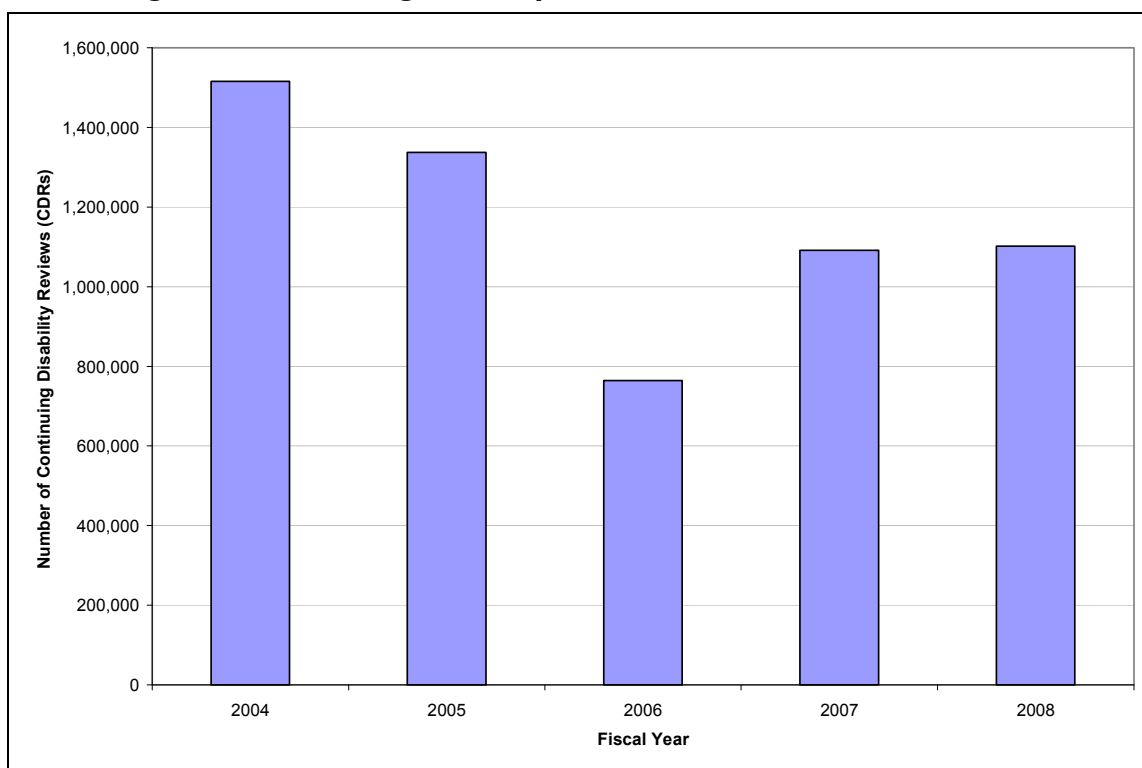
The number of CDRs conducted has fallen sharply in recent years. In FY2004, about 1.5 million CDRs were conducted. As shown in **Figure 12**, from FY2004 to FY2008, the number of CDRs has declined by 27.3%.

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<sup>94</sup> 42 U.S.C. §§ 221(I), 1614(a).

<sup>95</sup> Social Security Administration, *Justification of Estimates For Appropriations Committees: Fiscal Year 2011*, Washington, DC, 2010, p. 21, <http://www.socialsecurity.gov/budget/Budget%20Overview%20Final.pdf>.

<sup>96</sup> Testimony of David A. Rust, Acting Deputy Commissioner, Social Security, before the Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, and International Security, January 31, 2008, at [http://www.ssa.gov/legislation/testimony\\_013108.htm](http://www.ssa.gov/legislation/testimony_013108.htm).

**Figure 12. Continuing Disability Reviews Processed, FY2004-FY2008**

**Source:** Social Security Administration, *Annual Performance Plan: FY2011*. Social Security Administration, *Budget Justification: FY2005*.

## SSI Redeterminations

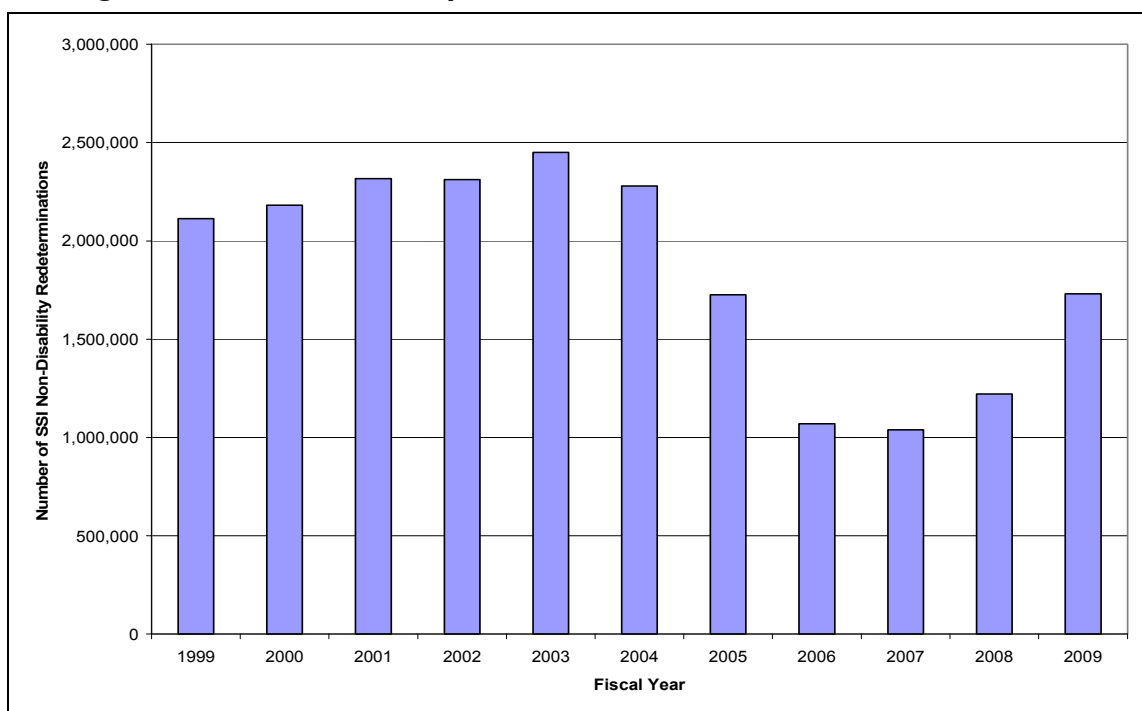
SSI is a means-tested program with strict income and resource limits. Once recipients begin to receive SSI benefits, changes in living arrangements, income, or resources can affect their benefit amounts or eligibility status, even if their medical conditions have not changed. In order to assure that SSI payments are made in the correct amount and only to eligible individuals, SSA staff conduct redeterminations, which are periodic reviews of SSI non-medical eligibility factors. The number of redeterminations conducted varies depending on agency resources and workloads.<sup>97</sup> SSA says return on investment on SSI redeterminations is \$8 over 10 years for every \$1 spent.<sup>98</sup>

### *Number of Redeterminations Has Declined*

The number of SSI non-disability redeterminations conducted has fallen sharply in recent years. In FY2009, 1.7 million redeterminations were conducted. As shown in **Figure 13**, from FY2004 to FY2008, the number of SSI redeterminations has declined by 46.4%. From FY1999 to FY2008, the number of redeterminations has declined by 42.2%.

<sup>97</sup> Social Security Administration, *Performance and Accountability Report: Management's Discussion and Analysis*, Washington, DC, 2009, p. 14, <http://www.ssa.gov/finance/2009/Complete%20MD&A.pdf>.

<sup>98</sup> Social Security Administration, *Justification of Estimates For Appropriations Committees: Fiscal Year 2011*, Washington, DC, 2010, p. 21, <http://www.socialsecurity.gov/budget/Budget%20Overview%20Final.pdf>

**Figure 13. SSI Non-Disability Redeterminations Processed, FY1999-FY2009**

**Source:** Social Security Administration, *Performance and Accountability Report: Performance Section*.

<http://www.ssa.gov/finance/>.

## Cooperative Disability Investigation Program

The Cooperative Disability Investigation (CDI) program works to obtain sufficient evidence to identify and resolve issues of fraud and abuse related to initial and continuing disability claims. CDI is a joint effort of the OIG, SSA, state DDSs, and state and local law enforcement personnel. SSA has 20 CDI Units in 18 states. Because the CDI detects fraudulent claims before they are paid, it removes an unnecessary workload from the determination and appeals process, saving the agency money and staff time. In the first six months of FY2008, the CDI program resulted in more than \$106 million in SSA program savings.<sup>99</sup> GAO has recommended placing CDI units in all 50 states.<sup>100</sup> SSA's OIG has stated that expansion of the program is limited only by funding.<sup>101</sup> SSA projects that since the program began in FY1998, CDI has saved \$1.3 billion for SSA disability programs and \$816.4 million for non-SSA programs.<sup>102</sup> Even though CDI is run by the Inspector General, the budget for CDI programs comes out of LAE, not the Inspector General budget.

<sup>99</sup> SSA Office of the Inspector General, *Semiannual Report to Congress, October 31, 2007 - March 1 2008*, Spring 2008, at <http://www.ssa.gov/oig/ADOBEPDF/sar102007032008.pdf>.

<sup>100</sup> OIG Appropriations Testimony, February 28, 2008.

<sup>101</sup> Ibid.

<sup>102</sup> Social Security Administration, *Performance and Accountability Report: Other Accompanying Information*, Washington, DC, 2009, p. 163, <http://www.ssa.gov/finance/2009/Complete%20OAI.pdf>.

## **Consequences of Delaying Reviews**

When reviews of benefits are delayed or foregone, some beneficiaries may receive benefits for which they are no longer eligible, which costs the programs money. Delaying these reviews may also make them more complicated and expensive to conduct in the future. SSA staff may be required to obtain necessary documentation over a longer period of time, and overpayments accrue to the point that beneficiaries have difficulty repaying them.

The costs of delaying or foregoing reviews is masked by the fact that Social Security and SSI benefits are mandatory spending, not subject to the annual appropriations process. When overpayments are made, they do not show up on the discretionary side of the budget. However, the cost of conducting the reviews that prevent such overpayments are included in the discretionary portion of SSA's budget. Thus, increasing funding to conduct reviews would make SSA's annual appropriation larger in the current year, but would be expected to save the programs money in the future.

## **Customer Service**

### **Problems Maintaining Customer Service in Field Offices**

SSA has also had problems in maintaining customer service standards. In a 2008 Senate Finance Committee hearing, GAO categorized SSA's field office service as "extremely fragile."<sup>103</sup> For example, SSA reported that average waiting time for field office service was 21 minutes in FY2006—a 40% increase since FY2002—and that more than three million individuals waited for more than an hour to be served. SSA's 2007 Field Office Caller Survey found that 51% of calls to field offices were unanswered (and this is probably an understatement because only callers who eventually got through were surveyed).<sup>104</sup>

### **Improvements in 800 Number Service**

SSA has also reported improvements in speed in which calls to its 800 number are answered as well as in the busy rate.<sup>105</sup> For FY2009, SSA reported an average speed of 240 seconds (four minutes) to answer an 800 number call and a busy rate of 8%. This a 25% improvement from FY2008, when the average speed was 326 seconds (nearly five and a half minutes) and the busy rate was 10%.

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<sup>103</sup> Testimony of Barbara D. Bvobjerg, Director, Education, Workforce, and Income Security Issues, Government Accountability Office, before the Senate Committee on Finance, May 8, 2008.

<sup>104</sup> GAO Workforce Testimony, May 8, 2008.

<sup>105</sup> SSA FY2007 Performance and Accountability Report.



## Improper Payments

### Costs of Overpayments and Underpayments

SSA is responsible for issuing benefit payments to about 60 million people. Given the size and complexity of the programs SSA administers, some payment errors will occur. Historically, SSA has reported high-payment accuracy rates. In FY2008, SSA reported that 99.7% of OASDI payments were free of overpayment errors, and 99.9% were free from underpayment errors.<sup>106</sup> Also, that year, SSA reported that 89.7% of SSI payments were free from overpayment errors, and 98.3% were free from underpayment errors.<sup>107</sup> Given the large amount of money invested in SSA's payments, even the smallest mistakes can result in millions of dollars in over- or underpayments. For example, from FY2004 to FY2008:

- SSA paid \$204.5 billion to SSI beneficiaries. Of that amount, \$16.6 billion was projected to be overpaid, representing 8.1% of outlays. Underpayments were projected to be \$3.4 billion representing 1.7% of outlays.
- SSA paid about \$2.3 trillion to OASI recipients. Of that amount \$3.7 billion was projected to be overpaid, representing 0.16% of outlays. Underpayments were projected to be \$2.2 billion, representing 0.10% of outlays.
- SSA paid more than \$454.8 billion to Disability Insurance (DI) beneficiaries. Of that amount \$6.3 billion was projected to be overpaid, representing 1.4% of outlays. Underpayments were projected to be \$1.8 billion, representing 0.4% of outlays.

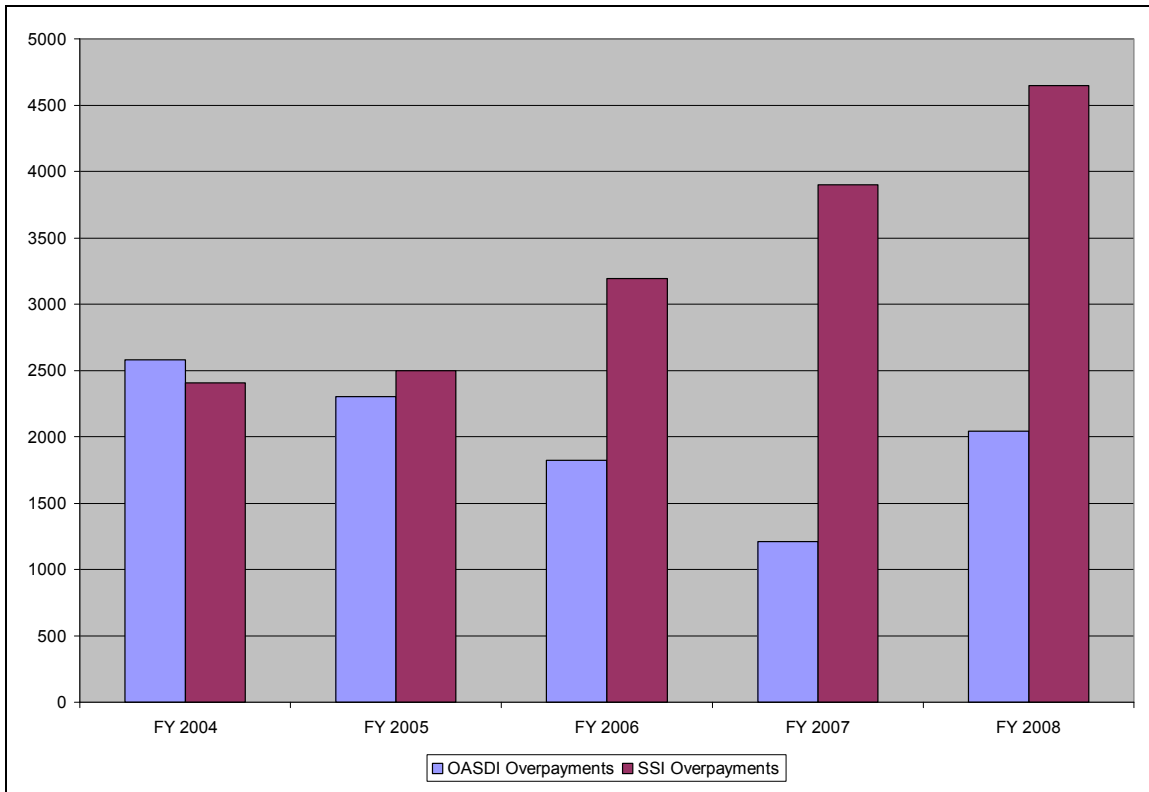
Overall, SSA made overpayments totaling \$26.6 billion and underpayments totaling \$7.4 billion during this five-year period, which only represents 0.01% of all outlays. As can be seen in **Figure 14** and **Figure 15**, from FY2004 to FY2008, the number of underpayments and overpayments for SSI showed an overall increase each fiscal year, whereas the number of OASDI underpayments and overpayments showed an overall decrease each fiscal year.

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<sup>106</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Performance Section*, Washington, DC, 2009, pp. 66-67, <http://ssa.gov/finance/2009/Complete%20Performance%20Section.pdf>.

<sup>107</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Other Accompanying Information*, Washington, DC, 2009, p. 164, <http://www.ssa.gov/finance/2009/Complete%20OAI.pdf>.

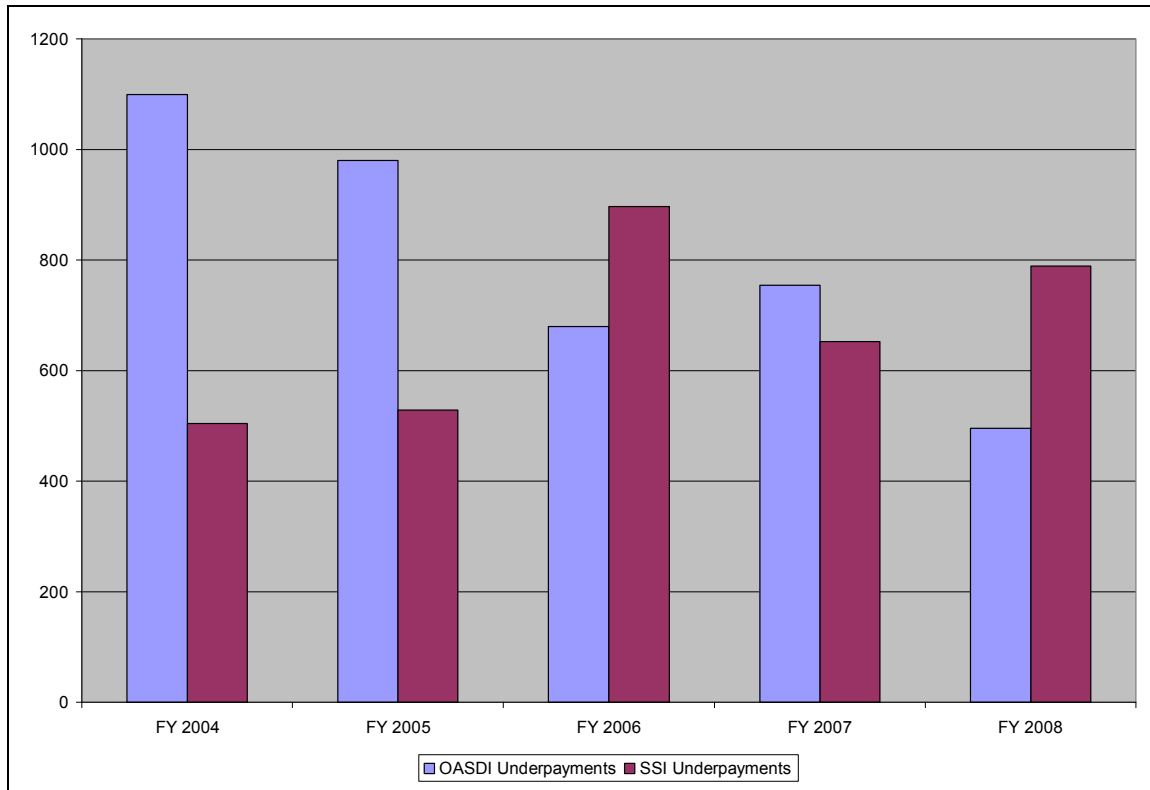
**Figure 14. SSI and OASDI Overpayments, FY2004-FY2008**



**Source:** Information provided by the Social Security Administration, July 1, 2010.

The number of SSI overpayments increased by 93% between FY2004 and FY2008, whereas the number of OASDI overpayments decreased 21% between FY2004 and FY2008 despite an increase in FY2008.<sup>108</sup>

<sup>108</sup> Information provided by the Social Security Administration, July 1, 2010.

**Figure 15. SSI and OASDI Underpayment, FY2004-FY2008**

**Source:** : Information provided by the Social Security Administration, July 1, 2010.

The number of SSI underpayments increased by 57% between FY2004 and FY2008 despite a decrease in FY2007, whereas the number of OASDI underpayments decreased 55% between FY2004 and FY2008 despite an increase in FY2007.<sup>109</sup>

### Why Improper Payments Occur

According to, SSA there are three major causes of improper payments. First, in the OASDI program, errors are attributed to computations. SSA developed automated tools to address the more complicated computation issues, but some errors still occur. Second, in the SSI program, the failure of recipients or representative payees to provide accurate and timely reports of new or increased wages. Also, even in cases where accurate and timely reports of new or increased wages are submitted by recipients, subsequent overpayments may occur as a result of backlogs and slow processing by SSA. Third, in the SSI program, overpayments may occur when recipients have undisclosed financial accounts with balances that place them over the SSI resource limit. In New York, New Jersey, and California, SSA has used the Access to Financial Institutions process to reduce payment errors, but the process has yet to be implemented nationwide.<sup>110</sup>

<sup>109</sup> Information provided by the Social Security Administration, July 1, 2010.

<sup>110</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Other Accompanying* (continued...)

## Overpayment Recovery

In FY2008, it took SSA an average of 34 months to recover or waive overpayments in the SSI program, 18 months for the OASI program, and 42 months for the DI program. SSA uses a variety of techniques to collect debt related to overpayments.<sup>111</sup> Collection techniques include benefit withholding, billing, and follow-up that are internal to SSA. SSA also uses external collection techniques that were authorized by the Debt Collection Act of 1996 (P.L. 104-134) for OASDI debts, and the Foster Care Independence Act of 1999 (P.L. 106-169) for SSI debts. As of March 2009, the agency had recovered approximately \$615 million of the nearly \$3.1 billion that had been overpaid because of work activity (unreported wages).<sup>112</sup>

## Issues for Congress

Some members of Congress have expressed concern about SSA's ongoing service delivery problems and whether current resources are sufficient to manage its increasing workload. The essential elements SSA needs to handle its workload are seen as funding, staffing, infrastructure, and management. Key issues in each of these areas include

- **Funding:** level of appropriations, means of funding (e.g., dedicated funds for specific workloads), availability of funds, and the process for determining funding;
- **Staffing:** number of staff, allocation of staff, staff readiness, and productivity;
- **Infrastructure:** field offices, computer systems, phone services; and
- **Management:** priorities, processes, and performance management.

Not all of these areas are in direct congressional control, but all could be influenced through the oversight and appropriations processes. The following section briefly outlines some of the options before Congress, as well as the costs and benefits of different approaches.

Congress could decide not to take any action. However, inaction would likely have consequences. As SSA's workload increase, it is unlikely that the agency would be able to reduce the backlogs in the disability programs, and possible that the backlogs would grow further, resulting in longer waits for potential beneficiaries. Managing growing workloads could also preclude efforts to maintain or increase the program integrity activities that are projected to save the Social Security and SSI programs money in the long run. Customer service problems could be difficult to address in the absence of additional staff or resources. Finally, SSA's outdated computer systems pose security risks and are vulnerable to collapse, according to outside experts.

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(...continued)

*Information*, Washington, DC, 2009, p. 165, <http://www.ssa.gov/finance/2009/Complete%20OAI.pdf>.

<sup>111</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Other Accompanying Information*, Washington, DC, 2009, p. 164, <http://www.ssa.gov/finance/2009/Complete%20OAI.pdf>.

<sup>112</sup> Social Security Administration, *Performance and Accountability Report: Fiscal Year 2009: Other Accompanying Information*, Washington, DC, 2009, p. 165, <http://www.ssa.gov/finance/2009/Complete%20OAI.pdf>.

## Staffing

While SSA's commissioner is responsible for planning and deploying SSA's workforce, personnel costs are nearly 70% of SSA's administrative budget. Key staffing issues include number of staff, allocation of staff, and productivity of staff. Congress can influence these factors through oversight and appropriations.

The productivity of SSA's ALJs has a significant effect on SSA's productivity. However, SSA has limited ability to hold ALJs accountable for their performance. SSA's IG has testified that the agency's lack of oversight of its ALJs has had a negative effect on the agency's backlog.<sup>113</sup> Congress could choose to amend the Administrative Procedure Act or the Social Security Act to give SSA more authority to oversee and discipline low-performing ALJs. However, doing so could threaten the independence of the ALJs, putting them at risk of becoming politicized by the agency.

## Infrastructure

Another factor that Congress can influence indirectly is SSA's infrastructure for example, field offices, computer systems, and telephone systems. Technological infrastructure, like program integrity, is an area in which additional investment has the potential to save money in the long run. The SSAB has recommended dedicated funding for technological improvements, saying that necessary upgrades "can only be accomplished with a temporary multi-year capital fund to modernize the system at all levels."<sup>114</sup> In an assessment of SSA's technological plans, the National Research Council (part of the National Academies) has said that "[b]roader deployment and adoption of electronic services offer agencies like SSA potential relief from the increasing workload, workforce, and other resource pressures facing them."<sup>115</sup> The NRC study also stated that SSA's archaic computer systems preclude the agency from taking advantage of lower-cost technological alternatives available on the private market. SSA's OIG has said that improved technology "is critical to efficient operation, and ... can eliminate lengthy delays in adjudications."<sup>116</sup>

On the other hand, many of SSA's past attempts to improve efficiency and save money through technological improvements have fallen short. For example, the electronic disability determination process (e-Dib) included a project to create electronic hearings folders to expedite processing of appeals. However, the OIG reported that "this and other e-Dib measures appear to have only marginally improved processing times or reduced the backlog."<sup>117</sup> SSAB has also reported similarly disappointing results in the past: "SSA's automation initiatives often are not delivered on schedule and, in the view of many managers and other employees in the field, often

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<sup>113</sup> OIG Appropriations Testimony, February 28, 2008.

<sup>114</sup> SSAB letter, December 16, 2008.

<sup>115</sup> Osterweil, Leon J., Lynette I. Millett, and Joan D. Winston, Editors, Committee on the Social Security Administration's E-Government Strategy and Planning for the Future, National Research Council. *Social Security Administration Electronic Service Provision: A Strategic Assessment*, The National Academies Press, 2007, p viii.

<sup>116</sup> OIG Appropriations Testimony, February 28, 2008, pp. 7-8.

<sup>117</sup> *Ibid.*, p. 9.

do not produce the expected improvements in productivity and efficiency, even though the savings are assumed in the budget.”<sup>118</sup>

SSA has begun to improve efficiency by increasing online benefit applications. SSA formerly offered an Internet Social Security Benefit Application. The OIG reported that in 2007, fewer than 5% of applicants used this tool to file their claims, and more than 70% of claimants who filed online were contacted by SSA’s field offices in order to complete their applications.<sup>119</sup> SSA introduced a new, streamlined online retirement application, *iClaim*, in December 2008. According to SSA, many users complete their application in as little as 15 minutes—far shorter than the 45 minutes it often took to complete the old application. During FY2009, SSA received 833,433 retirement applications, and almost 600,000 disability applications online.<sup>120</sup>

Despite the promise of online services as a means to mitigate SSA’s workload, the agency faces challenges in expanding its online application system. One in four Americans never use the Internet, and people over the age of 65 make up a large portion of this group. Some 38% of Americans aged 65 and over go online or use computers, compared with 74% of 50-64 year-olds, 86% of 30-49 year-olds, 91% of 18-29 year-olds, and about 95% of teenagers.<sup>121</sup>

Many applications still require that claimants provide original documentation to support their claim. These documents must be provided in person to a field office or sent through the mail.<sup>122</sup> Additionally, benefit counseling is not available to online users to the extent that it exists for those who apply over the phone or in person. Even as SSA directs more people to the Internet to access the information they need, the agency will need to continue to offer its services using more traditional approaches.

## **Management**

The SSA Commissioner has noted, “Additional resources are vital, but must be accompanied by our commitment to work smarter.”<sup>123</sup> Any effort to improve technology, hire additional staff, or streamline processes depends on effective management at the agency. Unless these efforts are carefully planned and implemented, they could fail to improve service delivery or even cause setbacks.

SSA’s internal management decisions are not in Congress’s direct control; however, Congress exercises oversight of SSA’s management decisions both directly through hearings and indirectly through several agencies that report to Congress on the SSA’s management challenges. Congress created the SSAB through the Social Security Independence and Program Improvements Act; among the SSAB’s many functions is to make recommendations to Congress on the quality of service that the SSA provides to the public.<sup>124</sup> The Reports Consolidation Act of 2000 requires the

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<sup>118</sup> SSAB Report, 1999.

<sup>119</sup> SSA OIG, “Top Issues Facing Social Security Administration Management, FY2008.” November 28, 2007.

<sup>120</sup> Social Security Administration, *Performance and Accountability Report: Management’s Discussion and Analysis & Performance Section*, Washington, DC, 2009, pp. 28, 55, <http://www.ssa.gov/finance/2009/Complete%20MD&A.pdf>.

<sup>121</sup> Pew Internet and American Life Project, August 2008.

<sup>122</sup> SSA website, <http://www.ssa.gov>.

<sup>123</sup> Astrue Backlog Testimony, April 23, 2008.

<sup>124</sup> P.L. 103-296, as amended.

SSA OIG to include in SSA's Performance and Accountability Report its perspective on the most serious management and performance challenges facing SSA. The OIG has provided its perspective on these management challenges to Congress since 1997.<sup>125</sup> Also, GAO's work for Congress is intended to improve the performance and ensure the accountability of federal agencies, including SSA. Together, these organizations have provided Congress with comprehensive information on the challenges facing SSA as well as recommendations for meeting them.

For example, GAO has stated that management weaknesses have contributed to SSA's workload challenges. For example, a GAO report on SSA's disability backlogs observed that "several initiatives introduced by SSA in the last 10 years to improve processing times and eliminate backlogged claims have, because of their complexity and poor execution, actually added to the problem."<sup>126</sup>

Similarly, the SSAB has stressed the need for more efficient management at SSA. Among other things, the board has advised the Obama Administration that problems with SSA's management have had "the impact of locking the agency into inefficient processes harnessed to outmoded technology. In turn, these outdated procedures and processing tools have limited creativity, innovation and have stymied continuous improvement efforts, leading to a workforce that it is doing its best, but is unable to meet the ever-increasing challenges the agency faces."<sup>127</sup> The SSAB's primary recommendations for improving SSA's processes include the following:

- **Integrating services.** For example, creating a unified technological platform for the entire disability determination process. SSA is currently developing separate software programs for DDSs and ALJs rather than one integrated tool that could be used for the entire process.
- **Initiating effective policy research.** For example, collecting data on a cohort of disability applicants from beginning to end so that the agency can analyze trends. Currently data are collected by separate components of the agency and are not integrated, making it difficult to use for management decisions.
- **Eliminating redundancy in the collection of information.** For example, generating automatic retirement claims using the information SSA already has, eliminating the need to file an application. Such a process would require little if any human intervention and would help manage growing workloads.
- **Collaborating with outside agencies.** For example, working with the Department of Veterans Affairs, immigration authorities, and state agencies to verify eligibility and coordinate services.

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<sup>125</sup> "Inspector General Statement on the Social Security Administration's Major Management Challenges," November 2007, at <http://www.ssa.gov/oig/ADOBEPDF/A-02-08-18061.pdf>.

<sup>126</sup> U.S. Government Accountability Office, *Social Security Disability: Better Planning, Management, and Evaluation Could Help Address Backlogs*, GAO-08-40, December 7, 2007, p. 3, <http://www.gao.gov/new.items/d0840.pdf>.

<sup>127</sup> For more details, see "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, available at [http://www.ssab.gov/documents/Challenges\\_Facing\\_the\\_Social\\_Security\\_Administration\\_Present\\_and\\_Future\\_Report\\_to\\_the\\_President\\_Elect\\_Transition\\_Team.pdf](http://www.ssab.gov/documents/Challenges_Facing_the_Social_Security_Administration_Present_and_Future_Report_to_the_President_Elect_Transition_Team.pdf).

The SSAB concluded its recommendations with these words: “Despite these challenges, the agency can step up once more—with proper planning and attention to improving their processes, designing and implementing modern technology, and investing in its staff ... [T]hat makes a persuasive case for sufficient and stable funding. SSA has massive administrative challenges ahead and time is running short.”<sup>128</sup>

## **Funding**

### **Level of Funding**

SSA spends approximately 1.5% of its total funding on administration and the remaining 98.5% on benefit payments. Administrative costs for the OASI program are moderate compared to other nations, and have generally declined over time.<sup>129</sup> For FY2009, administrative expenses as a percentage of benefit payments are projected to be higher for the DI program (2.2%) than for OASI (0.8%), whereas the SSI program’s administrative expenses as a percentage of benefit payments are projected to be 6.9%.<sup>130</sup>

Another issue is the availability of funds—specifically, if SSA receives its appropriation in a timely and predictable manner. For example, after completing all of its overdue CDRs, backlogs reemerged in FY2003, primarily because SSA was operating under a continuing resolution. According to GAO, “Because of concerns that the fiscal year 2003 appropriations would not support CDR activity at the fiscal year 2002 level, SSA reduced the number of CDRs it sent to DDS officials for processing as well as froze DDS hiring and overtime pay.”<sup>131</sup>

The Social Security Advisory Board (SSAB), an independent board that advises the President, Congress, and the commissioner of Social Security on the Social Security and SSI programs, has in the past recommended that Congress provide higher funding for SSA’s administrative expenses: “adequate resources will always be an important factor in the Social Security Administration’s ability to meet its administrative challenges. And, despite its significant record of achievement, it does not now have adequate resources to keep up with all its workloads.”<sup>132</sup>

All of the administrative funding for the Social Security program is ultimately taken from the trust funds, which are facing long-term solvency issues. SSI administrative funds come from general revenue.

### ***Limits on Legislative Mandates***

Given SSA’s unique reach, Congress has, in recent years, expanded the administrative activities that the agency is legislatively mandated to undertake (e.g., Medicare Part D, E-Verify).

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<sup>128</sup> Ibid.

<sup>129</sup> Mitchell, Olivia S. “Administrative Costs in Public and Private Retirement Systems.” *Privatizing Social Security*. Ed. Martin Feldstein. Chicago : University of Chicago Press, 1998. 403-456.

<sup>130</sup> FY2009 President’s Budget.

<sup>131</sup> GAO Disability Report, July 24, 2003, p. 4.

<sup>132</sup> Statement of Hal Daub, Chairman, Social Security Advisory Board, submitted for the record of the March 14, 2006, Hearing of the Committee on Finance.



Limiting the expansion of new administrative mandates would allow SSA to focus on its core programs and dedicate its resources towards the amelioration of its current backlog. If Congress does impose new mandates, it could choose to provide additional, dedicated funding to reduce the burden on SSA's administrative budget. In the case of E-Verify—where dedicated funding is not provided—SSA must negotiate with DHS for adequate levels of reimbursement, and make up any difference between actual cost and the level of reimbursement by diverting resources from other program areas.

However, Congress may find it difficult to limit the expansion of SSA's administrative mandates when trying to ensure that new and ongoing federal programs have a national reach. SSA has played a unique role in the lives of millions of Americans for more than 70 years and has a track record of helping to administer many federal income support programs.

## **Means of Funding**

Another issue in SSA financing is how administrative funds are provided—specifically, whether such funds should be counted toward discretionary spending caps. By law, Social Security benefits are not subject to these caps, but the law is ambiguous regarding the program's administrative expenses.<sup>133</sup> CBO and OMB treat the Social Security administrative expenses as discretionary spending, subject to the discretionary cap. This is consistent with recent concurrent budget resolutions. In past years, Congress has provided dedicated funds for specific purposes outside the caps.

### *Excluding Administrative Funds from Discretionary Caps*

The Social Security Advisory Board has in the past recommended that all of SSA's administrative expenses be excluded from discretionary spending caps. They argue that as a contributory system, workers and employers are “entitled to receive service that is of high quality. It is entirely appropriate that spending for administration of Social Security programs be set at a level that fits the needs of Social Security's contributors and beneficiaries, rather than an arbitrary level that fits within the current government cap on discretionary spending.”<sup>134</sup>

However, in both the President's budget request and appropriations acts, the limitation on administrative expenses prevents SSA from having an open-ended administrative budget. The SSA Commissioner's request in FY2010 was \$350 million more than was finally appropriated by Congress (P.L. 111-117). Excluding administrative funds from the discretionary caps would likely boost SSA's administrative spending which could ultimately save the trust fund money if the extra administrative money were spent on CDRs.

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<sup>133</sup> While §703(j) of the Social Security Act authorizes monies from the Trust Funds to cover necessary administrative expenses, and §704 requires submission of the Commissioner's recommended budget and the Administration's budget for the SSA to Congress, the law does not clearly state that the administrative expenses are subject to discretionary spending caps. S.Con.Res. 70 of the 110<sup>th</sup> Congress, in §322, provided that the discretionary administrative expenses of the SSA and U.S. Postal Service be included in the committee spending allocations under the Congressional Budget and Impoundment Control Act of 1974.

<sup>134</sup> SSAB Report, 1999.

### ***Dedicating Funds Above Caps***

Congress could also choose to dedicate funds for a specific purpose above the discretionary caps. This approach provides Congress with a way to increase SSA's administrative funding and also to have a greater influence over the management of its programs. For example, SSA must choose between using its limited resources on processing initial claims or on program integrity activities like CDRs. Forgoing CDRs and SSI redeterminations jeopardizes potential program savings and compromises the integrity of the disability programs. If Congress wants SSA to place a higher priority on program integrity, it may dedicate funds for this purpose. P.L. 111-117 directed that not less than \$273 million of funds provided be used for CDRs and SSI redeterminations.

The potential downside of dedicating funds to SSA for a specific purpose is that it gives the agency less flexibility to manage its resources and to respond to emerging issues. Dedicating funds for one purpose precludes their use for other purposes—for example, diverting funds from disability backlogs to CDRs. Additionally, problems may arise when the dedicated funds expire. For example, after Congress stopped earmarking funds for CDRs in FY2003, backlogs reemerged. Congress would face pressure to continue dedicated funding lest its discontinuation be blamed should the backlogs reemerge. The process of dedicating additional funding would then be at risk of becoming a permanent adjustment to SSA's base administrative funding level, placing further financial strain on the trust funds.

### **Process for Determining Funding**

SSA presents an annual budget request for its administrative expenses to the Office of Management and Budget, and the request is subject to all the standard review procedures before being included in the President's budget request to Congress. The commissioner's unrevised budget request is presented as a top line number in a single paragraph in the Budget Appendix. SSA does not publicly release justification materials for the commissioner's request. In FY2010, the Administration's request for SSA's administrative expenses was about \$340 million less than the commissioner's request.

Some Members of Congress, as well as the SSAB, have opined that SSA should have the authority to submit its request in its entirety to Congress without being subject to OMB's review process. In a 2006 hearing on SSA's administrative challenges, Senator Jim Bunning advocated that SSA "independently put forth their budget, and the Congress can act one way or the other on it. Until they do that on their own, OMB is going to continue to do what it does every year by reducing the Social Security Administration's budget to perform their duties."<sup>135</sup> The SSAB has argued that Congress could benefit from access to the justification materials that SSA submits to OMB to defend the commissioner's original request, saying that "additional transparency in budgeting could help Congress better understand what is needed to fund the administrative costs adequately."<sup>136</sup>

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<sup>135</sup> Hearing before the Committee on Finance, United States Senate: "Administrative Challenges Facing the Social Security Administration." March 14, 2006.

<sup>136</sup> Statement of Sylvester J. Scheiber, chairman, Social Security Advisory Board, to the Subcommittee on Social Security of the Committee on Ways and Means, US House of Representatives. February 14, 2007.

## **Acknowledgments**

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