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# **Social Security Administration (SSA): Budget Issues**

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## Summary

The Social Security Administration (SSA) administers the Old-Age and Survivors Insurance (OASI), Social Security Disability Insurance (SSDI), Supplemental Security Income (SSI), and Special Benefits for Certain World War II Veterans programs that affect the lives of nearly every American family. These programs pay out more than \$900 billion in annual federal benefits. Program benefit costs are considered mandatory spending not subject to annual appropriations.

The SSA requires annual discretionary appropriations to administer these programs and to provide support to the Medicare and Medicaid programs. The President's FY2015 budget request for the SSA's administrative expenses, referred to as the *limitation on administrative expenses* (LAE) account, was \$12.0 billion. The FY2015 appropriation for the SSA's LAE account as enacted on December 16, 2015, by P.L. 113-235, the Consolidated and Further Continuing Appropriations Act, 2015, is \$11.8 billion.

This report provides an overview of the SSA's mandatory spending but largely focuses on discretionary appropriations for the agency's administrative expenses. The size of the annual appropriations for administrative expenses affects the agency's ability to effectively administer the SSA's benefit programs and conduct program integrity activities designed to ensure that only eligible persons receive federal benefits.

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## Social Security Administration Programs

The programs administered by the Social Security Administration (SSA) touch the lives of nearly every American family and are key components of the nation's economic safety net for the aged and disabled. In FY2015, the SSA projects total spending of \$963 billion on program benefits and administrative costs,<sup>1</sup> with the majority of this spending on benefits and administration of the Old-Age and Survivors Insurance (OASI) program. The SSA also administers the Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) programs and provides Special Benefits to Certain World War II Veterans. The President's FY2015 budget request for the SSA's total administrative expenses was \$12.4 billion.<sup>2</sup>

P.L. 113-235, the Consolidated and Further Continuing Appropriations Act, 2015, appropriated a total of \$11.9 billion for SSA administrative expenses, including the Office of the Inspector General (OIG), for FY2015. The limitation on administrative expenses (LAE) appropriation is \$11.8 billion, with an additional \$103.3 million for the OIG.

Spending on benefit payments for the SSA's programs is considered *mandatory* spending. Spending for the cost of administering these programs, as well as providing for other administrative responsibilities of the SSA, is considered *discretionary* spending.<sup>3</sup>

### Old-Age and Survivors Insurance

The OASI program is the largest program administered by the SSA. OASI provides cash benefits to insured workers upon retirement and to their spouses, dependents, and survivors. Workers are insured for OASI by working at jobs covered by the Social Security system and paying payroll taxes that finance benefits. OASI benefits and administrative costs are paid out of the federal OASI trust fund.

#### FY2015 OASI Projections<sup>4</sup>

Average number of beneficiaries: 49.2 million
Benefit outlays: \$744.1 billion
Administrative and other costs: \$7.5 billion <sup>5</sup>
Total program spending: \$751.7 billion

<sup>1</sup> Excludes projected spending on administrative costs related to the replacement of the National Computer Center provided for in the American Recovery and Reinvestment Act of 2009, P.L. 111-5, as well as costs associated with legislative initiatives proposed in the FY2015 budget.

<sup>2</sup> Includes request for the Office of the Inspector General (OIG), research, and other planned obligations.

<sup>3</sup> For additional information on mandatory and discretionary spending in the federal budget, see CRS Report RL33074, *Mandatory Spending Since 1962*, by Mindy R. Levit and D. Andrew Austin and CRS Report RL34424, *The Budget Control Act and Trends in Discretionary Spending*, by D. Andrew Austin.

<sup>4</sup> Social Security Administration (SSA), *FY2015 President's Budget: Key Tables*, March 2014, Tables 3-5, <http://ssa.gov/budget/FY15Files/2015KT.pdf>; hereinafter cited as SSA, *FY2015 Key Tables*.

<sup>5</sup> Includes administrative expenses, demonstration projects, payments to the Railroad Retirement Board, and the quinquennial adjustment for military wage credits.

## Social Security Disability Insurance

The SSDI program pays cash benefits to insured workers unable to work because of significant long-term disabilities.<sup>8</sup> The spouses, dependents, and survivors of disabled workers are also eligible for benefits. SSDI benefits continue until the disabled worker dies, returns to work, or reaches full retirement age, at which point he or she transitions to the OASI program. SSDI benefits and administrative costs are paid out of the federal Disability Insurance (DI) trust fund.

### FY2015 SSDI Projections<sup>6</sup>

Average number of beneficiaries: 11.1 million  
 Benefit outlays: \$146.8 billion  
 Administrative and other costs: \$4.0 billion<sup>7</sup>  
 Total program spending: \$150.8 billion

## Supplemental Security Income

The SSI program pays cash benefits to low-income aged, blind, and disabled persons, regardless of their Social Security insured status.<sup>12</sup> Disabled children are eligible for SSI. To be eligible for SSI, a person must have limited income and assets. SSI benefits are reduced by other countable income, meaning that SSI is often a program of last resort for low-income aged, blind, and disabled persons. SSI benefits and administrative costs are paid out of general revenue.

### FY2015 SSI Projections<sup>9</sup>

Average number of federal recipients: 8.3 million  
 Federal benefit outlays: \$56.2 billion  
 Federal administrative and other costs: \$4.5 billion<sup>10</sup>  
 Total federal program spending: \$60.7 billion<sup>11</sup>

<sup>6</sup> SSA, *FY2015 Key Tables*, Tables 3-5.

<sup>7</sup> Includes administrative expenses, payments to vocational rehabilitation and Ticket to Work providers, demonstration projects, payments to the Railroad Retirement Board, and the quinquennial adjustment for military wage credits.

<sup>8</sup> For additional information on the Social Security Disability Insurance (SSDI) program, see CRS Report RL32279, *Primer on Disability Benefits: Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI)*, by William R. Morton.

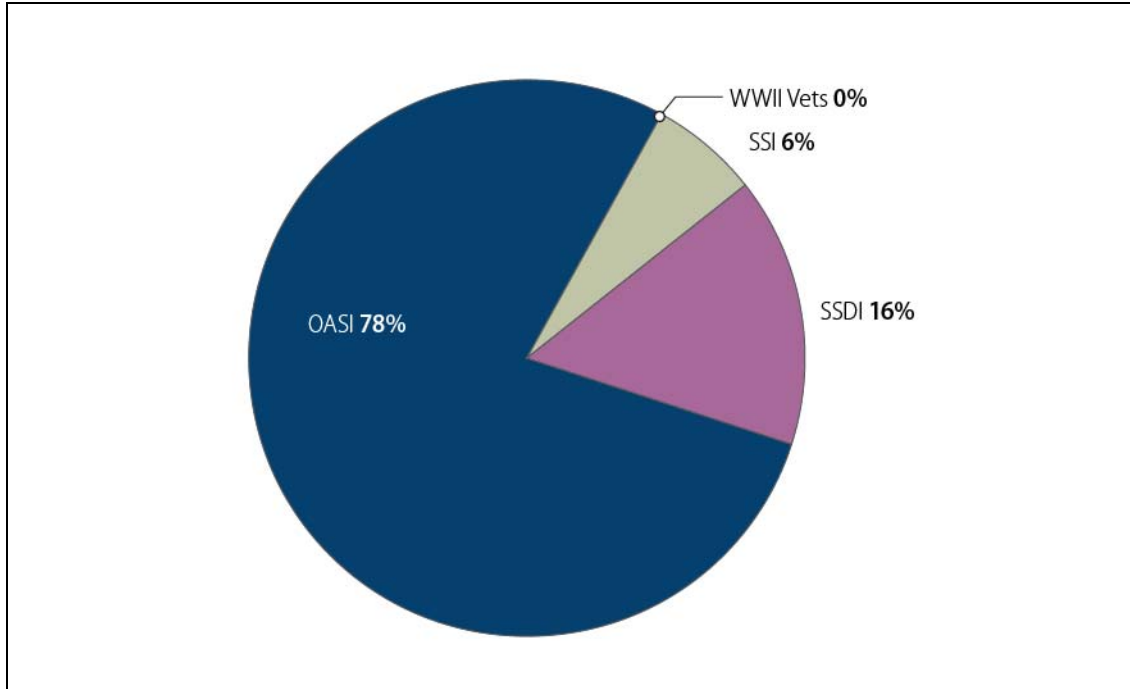
<sup>9</sup> SSA, *FY2015 Key Tables*, Tables 6-7.

<sup>10</sup> Includes administrative expenses, payments to vocational rehabilitation and Ticket to Work providers, and research expenses.

<sup>11</sup> Total projected Supplemental Security Income (SSI) program spending does not include the fees paid by 10 states and the District of Columbia to the SSA to administer their state SSI supplement programs.

<sup>12</sup> For additional information on the SSI program, see CRS Report RL32279, *Primer on Disability Benefits: Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI)*.

**Figure I. Projected Spending on Social Security Administration Programs (FY2015)**



**Source:** Social Security Administration (SSA), *FY2015 President's Budget: Key Tables*, March 2014, Table 3, <http://ssa.gov/budget/FY15Files/2015KT.pdf>.

**Notes:** OASI: Old-Age and Survivors Insurance; SSDI: Social Security Disability Insurance; SSI: Supplemental Security Income; WWII Vets: Special Benefits for Certain World War II Veterans. Special Benefits for Certain World II Veterans make up significantly less than 1% of projected SSA program spending.

## Special Benefits for Certain World War II Veterans

The SSA pays Special Benefits to Certain World War II Veterans to low-income World War II veterans who are living outside the United States.<sup>15</sup> Established in 1999, this program is designed to provide a minimum cash benefit to two groups: low-income American veterans and low-income veterans of the Filipino armed forces that fought

alongside the American military during World War II. Beneficiaries must currently live outside the United States and usually live in the Philippines. These benefits and their related administrative costs are paid out of general revenue.

### FY2015 Special Benefits for Certain WWII Veterans Projections<sup>13</sup>

Average number of beneficiaries: 1,000

Benefit outlays: \$4 million

Administrative and other costs: \$1 million<sup>14</sup>

Total program spending: \$5 million

<sup>13</sup> SSA, *FY2015 Key Tables*, Table 8.

<sup>14</sup> Includes program administrative costs only.

<sup>15</sup> For additional information on Special Benefits for Certain World War II Veterans, see CRS Report RL33876, *Overview of Filipino Veterans' Benefits*, by Christine Scott, Sidath Viranga Panangala, and Carol D. Davis.

# Social Security Administration Budget Request

## President's Budget Request

The President's budget request to Congress for the SSA currently consists of four accounts: payments to the Social Security trust funds, the SSI program, the Office of the Inspector General (OIG), and limitation on administrative expenses (LAE).

### Payments to the Social Security Trust Funds

This account is designed to reimburse the OASI and DI trust funds for the costs of certain activities payable by general revenue. It consists of payments permanently and indefinitely authorized—and thus not subject to annual appropriations—and payments subject to annual appropriations.

#### *Payments Not Subject to Annual Appropriations*

For FY2015, the President's budget projected \$32.0 billion in payments not subject to annual appropriations.<sup>16</sup> Nearly this entire amount, \$31.7 billion, is from the taxation of Social Security benefits. In addition, \$44 million is the projected reimbursement to the OASI and DI trust funds from general revenue to account for the reduction in the Social Security payroll tax rate from 6.2% to 4.2% in calendar year 2011 and part of calendar year 2012.<sup>17</sup> The remaining amounts are from reimbursement for union administrative expenses, Social Security payroll tax credits, and payments related to changes in the reporting of self-employment income.<sup>18</sup>

#### *Payments Subject to Annual Appropriations*

For FY2015, the President's budget requested \$16.4 million in payments to the Social Security trust funds subject to annual appropriations.<sup>19</sup> Of this request, \$10.0 million is for interest earned on benefit checks that remain uncashed for at least six months and \$6.4 million is for administrative costs related to the 1974 pension reform legislation.<sup>20</sup> The President's budget did

<sup>16</sup> SSA, *Justifications of Estimates for Appropriations Committees, Fiscal Year 2015*, March 2014, p. 28, <http://www.ssa.gov/budget/2015FullJustification.pdf>; hereinafter cited as SSA, *FY2015 Budget Justification*.

<sup>17</sup> Title VI, Section 601 of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, P.L. 111-312, reduced the Social Security payroll tax rate paid by employees in calendar year 2011 from 6.2% to 4.2% and required the Old-Age and Survivors Insurance (OASI) and (Disability Insurance) DI trust funds to be reimbursed for revenue lost from general revenue. The Temporary Payroll Tax Cut Continuation Act of 2011, P.L. 112-78, extended the payroll tax reduction through February 29, 2012, and the Middle Class Tax Relief and Job Creation Act of 2012, P.L. 112-96, extended the payroll tax reduction through the end of calendar year 2012.

<sup>18</sup> The Food, Conservation, and Energy Act of 2008, P.L. 110-234, made changes to the reporting of self-employment income. Section 15361 of this act is a mandatory appropriation to reimburse the OASI and DI trust funds for revenue lost because of these changes in FY2009 through FY2017. The estimate for FY2015 is \$8 million.

<sup>19</sup> SSA, *FY2015 Budget Justification*, p. 17.

<sup>20</sup> Section 1131 of the Social Security Act (42 U.S.C. §1320b-1) as established by the Employee Retirement Income Security Act of 1974, P.L. 93-406, requires the SSA to furnish certain information on deferred vested pension rights to pension plan participants and their dependents and survivors. The cost of this activity is initially paid from the OASI trust fund and reimbursed from general revenue through an annual appropriation.

not request an appropriation for the two remaining activities subject to annual appropriation: administrative costs associated with coal industry retiree health benefits and reimbursement for pre-1957 military wage credits.<sup>21</sup>

## **SSI Program**

The costs of SSI benefits and administration of the SSI program are paid out of general revenue and appropriated to the SSA in this account. This account contains three components. First, there is an appropriation for benefit and administration costs for the given fiscal year. This component is described in additional detail below. Second, there is a mandatory appropriation of “such sums as may be necessary” for any benefit costs incurred after June 15 and any unanticipated costs associated with the SSI program. Third, there is an advance appropriation for benefit costs for the first quarter of the succeeding fiscal year. Funds appropriated for the SSI program remain available to the SSA until expended. The President’s FY2015 budget requested \$40.9 billion for current fiscal year program costs and \$19.2 billion for SSI benefits in the first quarter of FY2016. Total federal benefit payments in FY2015 are estimated to be \$56.2 billion, with \$19.7 billion coming from the FY2015 advance appropriation.<sup>22</sup>

### *Administrative and Other Expenses*

In addition to providing for the cost of SSI benefits, the appropriation for the SSI program provides for administrative expenses relating to the SSI program, beneficiary services, and costs related to research and demonstration projects. The FY2015 President’s budget request for these administrative and other expenses was \$4.4 billion.

Administrative expenses for the SSI program are initially paid from the OASI and DI trust funds and are appropriated to the LAE account. The appropriation to the SSI program account for administrative expenses is used to reimburse the trust funds from general revenue for these costs. Administrative expenses for the SSI program include costs related to initial disability determinations, disability hearings and appeals, and program integrity activities. The FY2015 President’s budget request for administrative expenses was just under \$4.3 billion.

The SSI program appropriation also funds beneficiary services, research, and Medicare outreach. Beneficiary services include payments to state vocational rehabilitation agencies and Ticket to Work employment networks for services provided to SSI recipients. The FY2015 President’s budget requested \$70 million for beneficiary services, \$53 million for Title XVI research and demonstration projects, and an additional \$1 million for costs associated with the Department of State’s discretionary change to the Special Immigrant Visa rules for Afghans, which may affect the eligibility of some immigrants for SSI benefits.<sup>23</sup>

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<sup>21</sup> The SSA has determined that appropriations are not needed in FY2015 for these activities. Costs associated with coal industry retiree health benefits will be paid from unobligated prior appropriations, and pre-1957 military wage credits will be financed from scheduled transfers from the trust funds not subject to appropriation.

<sup>22</sup> SSA, *FY2015 Budget Justification*, p. 42.

<sup>23</sup> *Ibid.*



## Office of the Inspector General

The SSA OIG investigates fraud, waste, and abuse within programs administered by the SSA and audits such programs to determine their effectiveness and efficiency. The OIG also monitors improper receipt of federal benefits; investigates certain crimes committed by SSA employees, contractors, and program beneficiaries; and supports larger government-wide homeland security efforts. The President's FY2015 budget request for the OIG was \$104.6 million, of which \$29 million is from general revenue and \$75.6 million is from the OASI and DI trust funds as authorized by Section 201(g)(1) of the Social Security Act<sup>24</sup> for costs associated with the OASI and DI programs.<sup>25</sup>

The FY2015 appropriation for the OIG is \$103.3 million, of which \$29 million is from general revenue and \$74.5 million is from the OASI and DI trust funds.

## Limitation on Administrative Expenses

The appropriation for the LAE account funds the SSA's administrative costs associated with the OASI, SSDI, and SSI programs as well as costs incurred by the SSA to support the Medicare and Medicaid programs. This account also funds administrative functions, such as the operations of SSA field offices, employment verification, agency information technology activities, and the Social Security Advisory Board.

The LAE account is discretionary and subject to annual appropriation. The funds that make up this account come from the OASI and DI trust funds, the Medicare trust funds, general revenue, and certain fees collected by the SSA, with funds from the Social Security trust funds making up half of the LAE budget authority. Thus, unlike a traditional appropriation in which Congress provides money from the Treasury to an agency, the LAE appropriation is actually a limitation on the amount of money from these various sources the SSA can spend on its administrative activities. **Figure 2** provides the breakdown of budget authority for the LAE account in the President's FY2015 budget request.

The FY2015 President's budget request for SSA's LAE account was \$12.0 billion.<sup>26</sup> This total appropriation consisted of the base LAE appropriation, additional appropriations for program integrity activities, and appropriations for LAE activities from user fees paid to the SSA. The base LAE appropriation is the general appropriation for the SSA's administrative expenses. The President's FY2015 budget request for the base LAE account was \$10.5 billion.

The FY2015 appropriation for LAE is \$11.8 billion, with \$10.3 billion for base LAE, \$1.4 billion for program integrity activities such as continuing disability reviews and SSI redeterminations, and \$125 million from user fees. **Table 1** provides a comparison of the FY2015 budget request and the final appropriation for the LAE account.

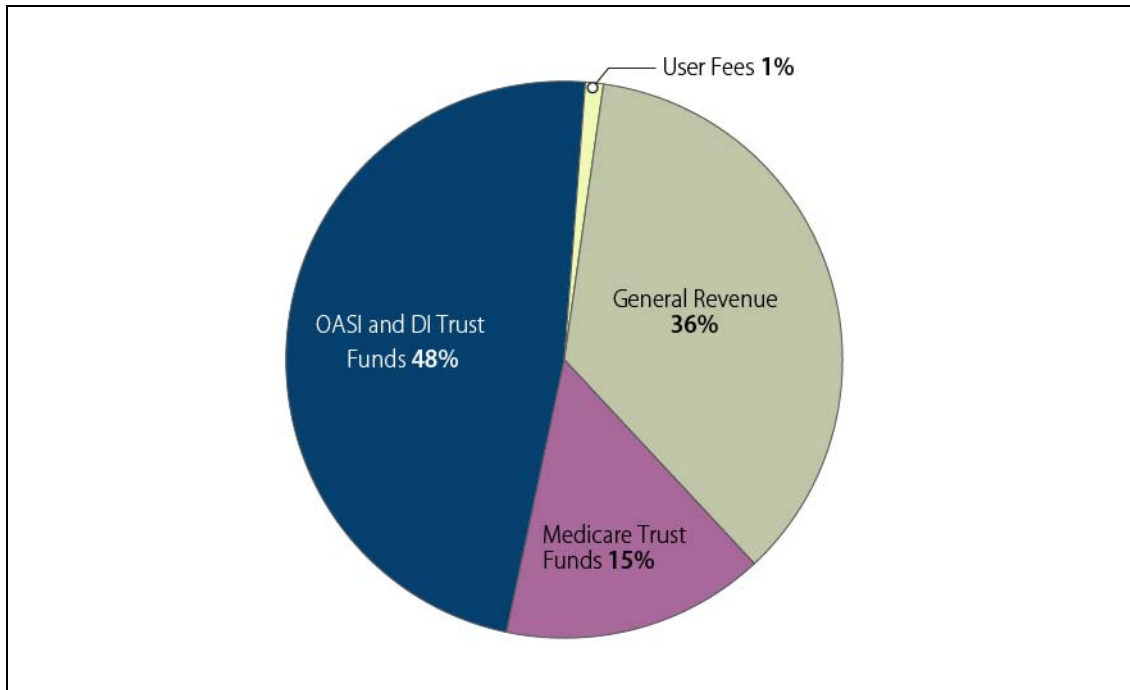
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<sup>24</sup> 42 U.S.C. §401(g).

<sup>25</sup> SSA, *FY2015 Budget Justification*, p. 164.

<sup>26</sup> *Ibid.*, pp. 98-99.

**Figure 2. Social Security Administration Total Limitation on Administrative Expenses (LAE) Budget Authority**  
(FY2015 President’s budget request)



**Source:** Social Security Administration (SSA), *Justifications of Estimates for Appropriations Committees, Fiscal Year 2015*, March 2014, p. 115, <http://www.ssa.gov/budget/2015FullJustification.pdf>.

**Notes:** “OASI and DI Trust Funds” includes administrative costs for Special Benefits for Certain World War II Veterans.

### *Program Integrity Activities*

The FY2015 President’s budget requested \$1.4 billion for costs associated with conducting continuing disability reviews (CDRs) and SSI redeterminations.<sup>27</sup> CDRs are periodic reviews of SSDI beneficiaries and SSI recipients to determine if they still meet the statutory definition of disability. In the majority of cases, a CDR mailer that does not involve a medical review is used instead of a full medical CDR. SSI redeterminations are used to determine if SSI recipients continue to fall below the program’s income and asset limits.

Under the provisions of Section 101 of the Budget Control Act of 2011, P.L. 112-25, the annual discretionary funding caps created by the act are to be adjusted by the amount by which funds appropriated to the SSA for CDRs and SSI redeterminations for a fiscal year exceed \$273 million. The maximum adjustment for SSA program integrity activities will rise from \$623 million for FY2012 to \$1.309 billion a year for FY2017 through FY2021, with a maximum adjustment of \$1.123 billion permitted for FY2015. Thus, the President’s budget request of \$1.396 billion for program integrity activities for FY2015 included the maximum base amount of \$273 million and the full cap adjustment of \$1.123 billion.

<sup>27</sup> Ibid.

The FY2015 appropriation for program integrity activities is identical to the budget request: \$1.396 billion, which includes the maximum base amount of \$273 million and the full cap adjustment of \$1.123 billion.

### ***User Fees***

The FY2015 President's budget request included \$125 million in LAE appropriations from two user fees collected by the SSA, with \$124 million from fees collected from states for the administration of their SSI supplement programs.<sup>28</sup> An additional \$1 million was requested from fees paid by non-attorney representatives for certification to represent claimants before the SSA.

The FY2015 appropriation provides for \$125 million in funding from users fees with \$124 million from the state SSI supplement administration fees and \$1 million from the non-attorney representatives' fees.

### ***Research and Demonstrations***

The FY2015 President's budget request also included \$53 million for research and demonstration projects.<sup>29</sup> Although this request was not part of the formal requested LAE language, it was a component of the SSA's total administrative funding request.

The FY2015 appropriation does not contain a separate budget line for research and demonstrations within the LAE appropriation. However, up to \$83 million of the appropriation for the SSI program may be used for research and demonstrations, and the appropriation bill's explanatory statement provides that \$35 million of the research and demonstration funds are to be used for a disability early intervention demonstration.

### ***Carryover***

The annual LAE appropriations language enacted by Congress permits the SSA to carry over unobligated administrative funds to be used in future fiscal years for information technology activities. A portion of these unobligated funds is transferred into the agency's no-year Information Technology Systems (ITS) account. The SSA currently estimates it had \$195.6 million in no-year ITS funding available for FY2014.<sup>30</sup>

## **SSA Commissioner's Budget**

The Social Security Administration became an independent federal agency in March 1995 after enactment of the Social Security Independence and Program Improvements Act of 1994, P.L. 103-296. Section 104(a) of this legislation granted the SSA commissioner the authority to submit to Congress, without revision, a budget request.<sup>31</sup> This budget request is independent of the President's budget request for the agency and generally includes a request for total administrative

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<sup>28</sup> Ibid.

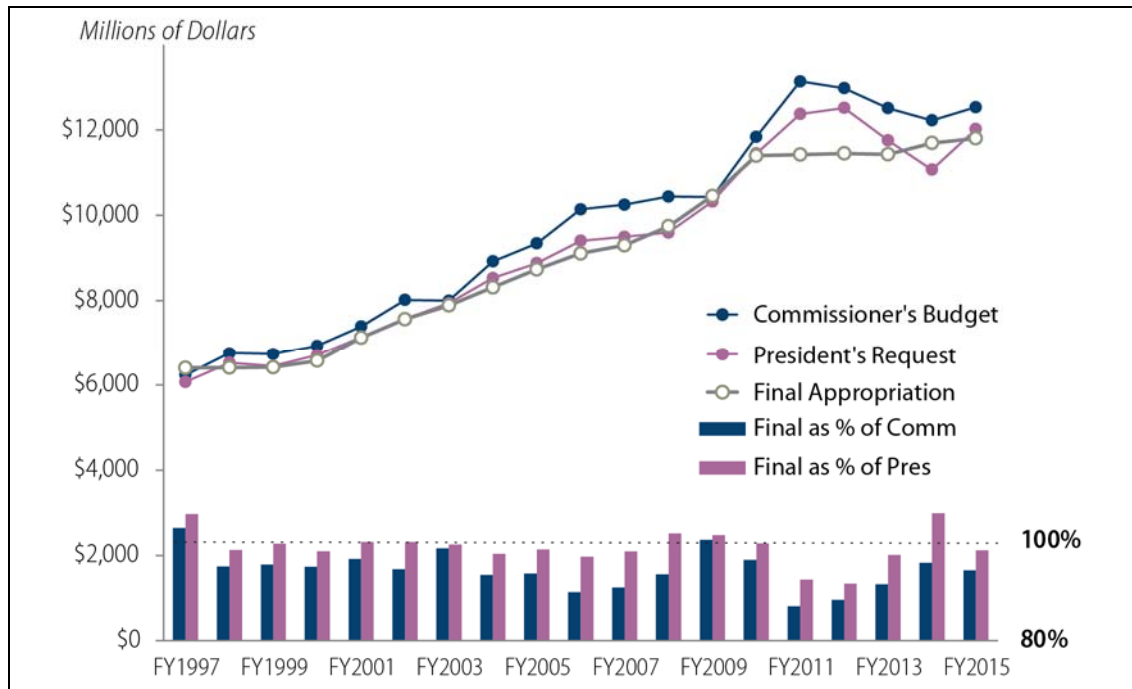
<sup>29</sup> Ibid., p. 108.

<sup>30</sup> Ibid., p. 128.

<sup>31</sup> Section 704(b) of the Social Security Act [42 U.S.C. §904(b)].

funding and a request for OIG funding. The commissioner's budget is included in the section on the SSA in the appendix to the President's budget. The FY2015 commissioner's budget for SSA administrative funding was \$12.6 billion, of which \$46 million was for research and \$105 million was for the OIG.<sup>32</sup>

**Figure 3. Social Security Administration Administrative Budget Requests and Appropriations**  
(FY1997 to FY2015)



**Source:** Congressional Research Service (CRS) using data from each fiscal year's President's budget and appropriations for the SSA.

**Notes:** Excludes funding for the Office of the Inspector General. "President's Request" includes LAE and, for FY2000, a \$100 million requested transfer of automation investment funds to base operations but excludes for FY2014 funding associated with the legislative request to create a dedicated source of funding for program integrity activities and for FY2015 the requested \$46 million for research. "Final Appropriation" includes all rescissions, except rescissions of no-year Information Technology Systems funds, but does not include any supplemental appropriations. The SSA became an independent agency in 1995 and first submitted a commissioner's budget for FY1997.

As shown in **Figure 3**, for each year since the SSA became an independent agency, the commissioner's budget has exceeded the President's request. In all but two of these fiscal years, FY1997 and FY2009, the final appropriation from Congress, taking into account any rescissions, has been less than the commissioner's budget. Only in FY1997, FY2008, FY2009, and FY2014 has the final appropriation exceeded the President's request.

In FY2014, the President's request included a legislative proposal for a dedicated source of funding for program integrity activities, instead of a request for above-the-cap discretionary

<sup>32</sup> Office of Management and Budget, *Appendix, Budget of the U.S. Government, Fiscal Year 2015*, Washington, DC, March 2014, p. 1257, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/ssa.pdf>.

funding.<sup>33</sup> If the funding associated with this legislative proposal is included, then the final appropriation for FY2014 is less than the President's request.

**Table 1. Comparison of FY2015 Budget Request and Appropriations for the Social Security Administration's Limitation on Administrative Expenses**

Activity	Budget Request (\$)	Appropriation (\$)
Base LAE	10,503,000,000	10,284,945,000
Program Integrity Total	1,396,000,000	1,396,000,000
Base Amount	273,000,000	273,000,000
Above the Cap	1,123,000,000	1,123,000,000
State SSI User Fees	124,000,000	124,000,000
Non-Attorney User Fees	1,000,000	1,000,000
<b>Total LAE</b>	<b>12,024,000,000</b>	<b>11,805,945,000</b>

**Source:** Social Security Administration, *Justifications of Estimates for Appropriations Committees, Fiscal Year 2015*, March 2014, pp. 98-99, <http://ssa.gov/budget/FY15Files/2015FCJ.pdf>, and P.L. 113-235.

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<sup>33</sup> For additional information on this legislative proposal see SSA, *Justifications of Estimates for Appropriations Committees, Fiscal Year 2014*, April 2013, p. 95, <http://ssa.gov/budget/FY14Files/2014AE.pdf>.