



## **CRS Report for Congress**

# **Social Security Administration: Administrative Budget Issues**

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### **Summary**

The Social Security Administration (SSA) administers the Social Security program (Old-Age, Survivors and Disability Insurance, or OASDI) and the Supplemental Security Income (SSI) program, and provides administrative support to Medicare and several other federal programs. Total SSA spending in FY2007 was about \$624 billion, about 99% of which was mandatory spending on benefit payments.

This report focuses on SSA's spending for administrative expenses, which is discretionary and amounts to about 1% of SSA's total spending. This funding is provided in the Labor, Health and Human Services, Education, and Related Agencies appropriations bill. In FY2007, SSA's total administrative expenses were about \$9.2 billion. About half of this funding was for administering Social Security (OASDI) benefits, 30% was for administering SSI benefits, 18% was for providing administrative support for Medicare, and another 1% was for SSA's Office of Inspector General (OIG). (The OIG has its own account; all of the other funding is included in the Limitation on Administrative Expenses (LAE) account.) In the five-year period from FY2004 to FY2008, SSA's administrative budget has increased about 17% (or 4% after adjusting for inflation).

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

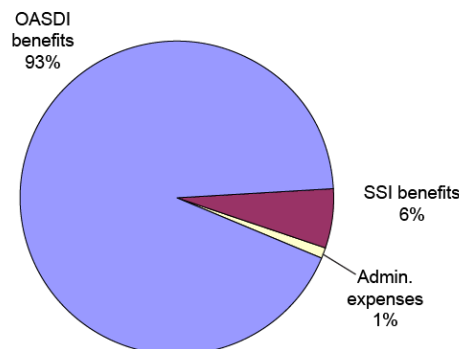
This report will be updated as events warrant.

## Background

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

**Total SSA Spending.** Total SSA spending was \$624 billion in FY2007, or about 23% of overall federal spending.<sup>1</sup> The substantial majority of SSA's spending in FY2007 (\$582 billion, or 93% of the total) was for Social Security (OASDI) benefit payments, as shown in **Figure 1**. Another 6% (\$36 billion) was for SSI benefit payments. Spending on Social Security and SSI benefits is *mandatory*, which means it is authorized by permanent law. Though Congress can change the level of spending for mandatory programs, these programs are not subject to the annual appropriations process. The remaining 1% of SSA's budget (\$9 billion in FY2007) was for administrative costs. Spending on administrative costs is *discretionary*, which means that it is subject to the annual appropriations process and Congress can change it each year.

**Figure 1. Total Social Security Administration Outlays, FY2007**



Source: *President's Budget, FY2009*.

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

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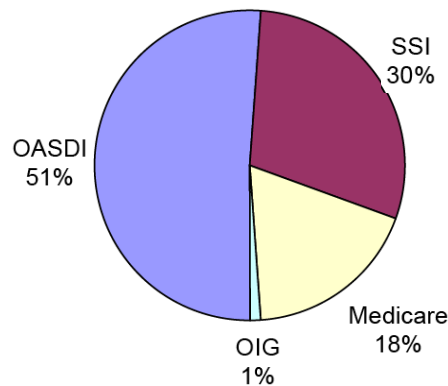
<sup>1</sup> Office of Management and Budget, *Budget of the United States Government: Fiscal Year 2009*, February 2008, at [<http://www.gpoaccess.gov/usbudget/fy09/pdf/budget/ssa.pdf>]. Hereafter referred to as *President's Budget, FY2009*.

<sup>2</sup> CRS Report RL34076, *Labor, Health and Human Services, and Education: FY2008 Appropriations*, by Pamela W. Smith, Gerald Mayer, and Rebecca R. Skinner.

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

In FY2007, SSA's administrative expenses totaled \$9.2 billion.<sup>5</sup> As shown in **Figure 2**, about half of SSA's administrative expenses in FY2007 (\$4.7 billion) were spent on administering Social Security (OASDI); these expenses are financed from the OASDI trust funds. Another 18% (\$1.7 billion) was spent to provide administrative support for Medicare; these expenses are financed from the Medicare trust funds. Finally, about 30% (\$2.7 billion) was for administering SSI and another 1% (\$91 million) was for the OIG; these expenses are financed from general revenues.

**Figure 2. SSA Outlays for Administrative Expenses, FY2007**



**Source:** SSA, *Justification of Estimates for Appropriations Committees*, Fiscal Year 2009, at [<http://www.ssa.gov/budget/2009cjapp.pdf>]. (Hereafter referred to as *SSA Budget Justification*, FY2009.)

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

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

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

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

## Requests and Appropriations for SSA Administrative Expenses

**Table 1** presents the Social Security Commissioner's request, the President's request, and the final appropriation amount for SSA's LAE account from FY1996 to FY2009. As of this writing, Congress has not passed an appropriation for FY2009. In the five-year period from FY2004 to FY2008, SSA's administrative budget has increased about 17% (or 4% after adjusting for inflation).

**Table 1. SSA Limitation on Administrative Expenses (LAE) Account, FY1996-FY2009**  
(\$ in millions)

	Commissioner's Request	President's Budget	Final Appropriation
FY2009	10,395	10,327	N/A
FY2008	10,420	9,597	9,745
FY2007	10,230	9,496	9,296
FY2006	10,106	9,403	9,109
FY2005	9,310	8,878	8,733
FY2004	8,895	8,530	8,313
FY2003	7,974	7,937	7,885
FY2002	7,982	7,574	7,562
FY2001	7,356	7,134	7,124
FY2000	6,908	6,706	6,572
FY1999	6,640	6,541	6,426
FY1998	6,654	6,522	6,409
FY1997	6,239	6,092	6,407
FY1996	N/A	6,188	5,865

**Sources:** OMB, *Budget of the United States Government: Appendix, SSA, Budget Justification*, FY2002-FY2009.

**Notes:** The budget resolution for FY2009 includes \$10.6 billion for the LAE account. 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), \$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. The appropriation for FY2008 includes an across-the-board cut of 1.747%. There was no Commissioner's Request in FY1996 because SSA became an independent agency in March 1995.

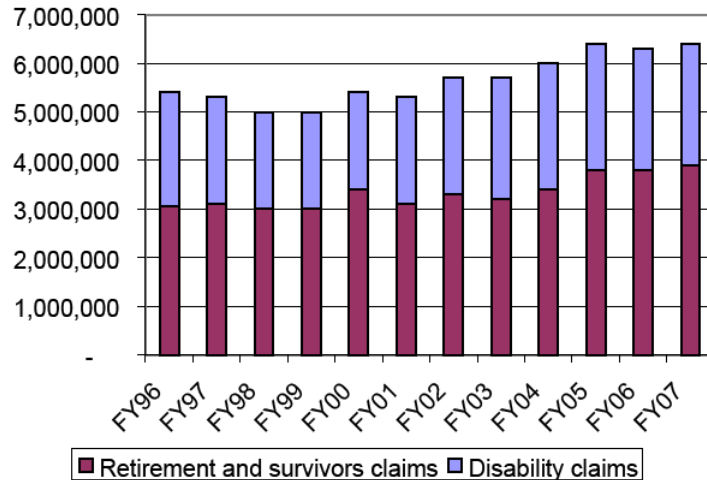
## Administrative Workload at SSA

**SSA's Administrative Workload.** SSA's administrative responsibilities are varied. In FY2007, SSA's workload included paying Social Security and SSI benefits to more than 54 million people, issuing 18 million new and replacement Social Security cards, and maintaining earnings records for 163 million covered workers. SSA also provides substantial administrative support for the Medicare program. SSA enrolls Medicare beneficiaries, withholds Parts B and D premiums, and calculates income-related Part B premiums. SSA also identifies low-income beneficiaries who might be eligible for Part D drug benefit subsidies and makes low-income subsidy determinations.

**Increasing Workload.** SSA's administrative responsibilities have increased, creating pressure on the agency's budget. Two major factors have contributed to SSA's workload: legislative changes and increasing benefit rolls. The Medicare Modernization

Act (MMA, P.L. 108-173) created ongoing administrative responsibilities for SSA, as outlined above; SSA received additional funding in FY2004 for MMA start-up costs.

**Figure 3. Social Security Benefits Claims Processed, FY1996-FY2007**

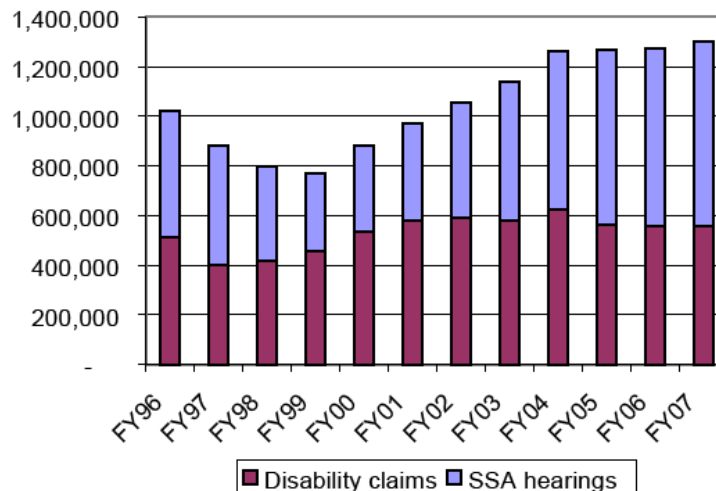


**Source:** SSA, *Performance and Accountability Reports*, FY1998-FY2007, at [<http://www.ssa.gov/finance>].

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

As shown in **Figure 3**, the number of initial Social Security benefit claims processed is also rising, from 5.7 million in FY2003 to 6.4 million in FY2007, a change of 20%. The number of retirement claims is expected to grow further as baby boomers become eligible for benefits in 2008. Disability claims are also expected to increase.

**Figure 4. Pending Initial Disability Claims and SSA Hearings, FY1996-FY2007**



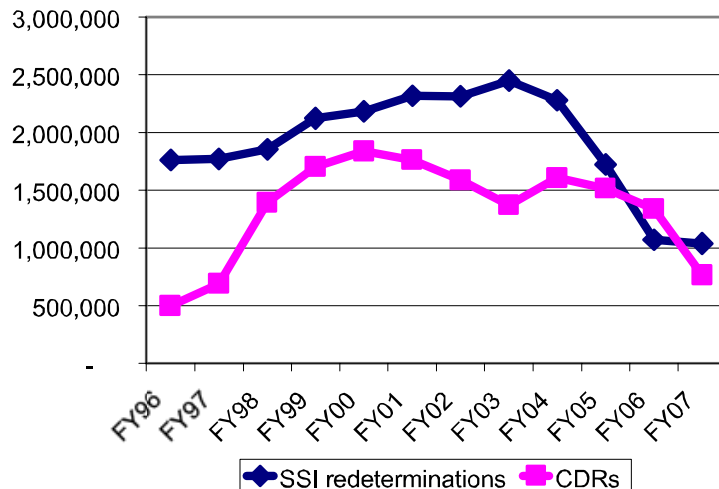
**Source:** SSA, *Performance and Accountability Reports*, FY1998-FY2007.

**Note:** All initial disability claims are processed by DDS.

**Increasing Backlogs.** As the SSA workload has increased, so too have the backlogs of pending claims and hearings. SSA’s backlogs primarily affect disabled applicants for Social Security and SSI benefits. For example, the number of hearings pending grew from about 600,000 in FY2003 to about 800,000 in FY2007, as shown in **Figure 4** above. The number of initial disability claims pending remained about the same over that period.

**Decreasing Program Integrity Activities.** SSA has been completing fewer SSI non-disability redeterminations and fewer Continuing Disability Reviews (CDRs). These reviews determine whether current SSI beneficiaries and Social Security disability beneficiaries continue to be eligible for benefits, thus maintaining the integrity of the programs and saving money over the long term. SSA estimates that for each dollar spent on an SSI redetermination \$7 is saved, and for each dollar spent on a CDR \$10 is saved.<sup>6</sup> The President’s budget and the congressional budget resolution for FY2009 would each provide SSA with administrative funding above discretionary spending caps in order to complete more SSI redeterminations and CDRs. From FY2003 to FY2007, the number of SSI redeterminations decreased by more than half, from about 2.4 million to about 1.0 million, as shown in **Figure 5**. At the same time, the number of CDRs decreased almost by half, from about 1.4 million to about 800,000.

**Figure 5. SSI Redeterminations and Continuing Disability Reviews Completed, FY1996-FY2007**



**Source:** SSA, *Performance and Accountability Reports*, FY1998-FY2007.

<sup>6</sup> SSA *Budget Justification*, FY2009.