Social Security Administration (SSA): Budget Issues

Scott Szymendera
Analyst in Disability Policy

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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 $800 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 FY2013 budget request for SSA administrative expenses, referred to as the limitation on administrative expenses (LAE) account, 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 as well as conduct program integrity activities designed to ensure that only eligible persons receive federal benefits.

The agency has made progress in recent years in reducing the backlog of pending disability cases and reversing the trend in declining program integrity activities. However, the SSA rarely receives administrative funding equal to the President’s request or its own independent budget request. These LAE appropriations that are below the requested levels may make it difficult for the SSA to build on this progress.

For FY2012, the total SSA LAE appropriation was $11.4 billion, taking into account the 0.189% across-the-board rescission. Funding for FY2013 is currently provided via a continuing resolution that expires on March 27, 2013.

The Budget Control Act of 2011, P.L. 112-25, which caps discretionary spending and increases the federal government’s statutory debt limit, includes a provision to adjust the discretionary spending caps to permit additional appropriations to the SSA for program integrity activities. This legislation also provides for the reduction of SSA administrative funds under sequestration process. Under sequestration, the FY2013 SSA LAE funding will be reduced by approximately 3.35%.
Social Security Administration (SSA): Budget Issues

Contents

Social Security Administration Programs ................................................................. 1
  Old-Age and Survivors Insurance ........................................................................... 1
  Social Security Disability Insurance ................................................................. 2
  Supplemental Security Income ............................................................................ 2
  Special Benefits for Certain World War II Veterans ........................................... 3
Social Security Administration Budget Request .................................................... 4
  President’s Budget Request .................................................................................. 4
    A. Payments to the Social Security Trust Funds ............................................... 4
      Payments not Subject to Annual Appropriations ........................................... 4
      Payments Subject to Annual Appropriations ................................................. 4
    B. SSI Program .................................................................................................... 5
      Administrative and Other Expenses .............................................................. 5
    C. Office of the Inspector General ................................................................... 6
    D. Limitation on Administrative Expenses ....................................................... 6
      Processing Social Security and SSI Claims and Hearings ............................ 7
      Program Integrity Activities ........................................................................... 9
      User Fees ........................................................................................................ 10
      Research and Demonstrations ..................................................................... 10
      Carryover ........................................................................................................ 11
  SSA Commissioner’s Budget ............................................................................... 11
FY2012 Administrative Funding .............................................................................. 12
FY2013 Administrative Funding .............................................................................. 13
  Sequestration of SSA Administrative Funds ....................................................... 13
SSA Program Integrity Funding Provisions in the Budget Control Act of 2011 .......... 14

Figures

Figure 1. Projected Spending on SSA Programs ....................................................... 3
Figure 2. SSA Total LAE Budget Authority ............................................................. 7
Figure 3. New Claims for Social Security and SSI Benefits ..................................... 8
Figure 4. SSA Hearings Pending at the End of Each Fiscal Year ......................... 9
Figure 5. SSA Program Integrity Activities .............................................................. 11
Figure 6. SSA Administrative Budget Requests and Appropriations ..................... 12

Contacts

Author Contact Information .................................................................................... 14
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 FY2013, the SSA projects total spending of $884 billion on program benefits and administrative costs, with the majority of this spending for 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 budget request for total administrative expenses for the SSA for FY2013 is $11.9 billion.\(^1\) The total appropriation for SSA administrative expenses in FY2012 was $11.6 billion.\(^2\) Funding for FY2013 is currently provided via a continuing resolution that expires on March 27, 2013.

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.\(^3\)

Old-Age and Survivors Insurance

The Old-Age and Survivors Insurance (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.

FY2013 OASI Projections\(^4\)

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average monthly beneficiaries</td>
<td>46.7 million</td>
</tr>
<tr>
<td>Benefit outlays</td>
<td>$672 billion</td>
</tr>
<tr>
<td>Administrative and other costs</td>
<td>$7.1 billion</td>
</tr>
<tr>
<td>Total program spending</td>
<td>$679.1 billion</td>
</tr>
</tbody>
</table>

\(^1\) Includes the request for the Office of the Inspector General (OIG).

\(^2\) Includes appropriations for the OIG and the mandatory 0.189% rescission applied to discretionary funding by P.L. 112-74.

\(^3\) For additional information on mandatory and discretionary spending in the federal budget, see CRS Report RL33074, Mandatory Spending Since 1962, by D. Andrew Austin and Mindy R. Levit and CRS Report RL34424, Trends in Discretionary Spending, by D. Andrew Austin and Mindy R. Levit.

\(^4\) Social Security Administration, FY2013 President’s Budget: Key Tables, February 2012, Tables 3-5, http://www.ssa.gov/budget/2013KeyTables.pdf; hereafter cited as SSA, FY2013 Key Tables.

\(^5\) 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.
Social Security Disability Insurance

The Social Security Disability Insurance (SSDI) program pays cash benefits to insured workers unable to work because of significant long-term disabilities. 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.

<table>
<thead>
<tr>
<th>FY2013 SSDI Projections</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average monthly beneficiaries: 11.1 million</td>
<td></td>
</tr>
<tr>
<td>Benefit outlays: $142.8 billion</td>
<td></td>
</tr>
<tr>
<td>Administrative and other costs: $3.8 billion</td>
<td></td>
</tr>
<tr>
<td>Total program spending: $146.6 billion</td>
<td></td>
</tr>
</tbody>
</table>

Supplemental Security Income

The Supplemental Security Income (SSI) program pays cash benefits to low-income aged, blind, and disabled persons, regardless of their Social Security insured status. 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.

<table>
<thead>
<tr>
<th>FY2013 SSI Projections</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average monthly federal recipients: 8.2 million</td>
<td></td>
</tr>
<tr>
<td>Federal benefit outlays: $54.2 billion</td>
<td></td>
</tr>
<tr>
<td>Federal administrative and other costs: $4 billion</td>
<td></td>
</tr>
<tr>
<td>Total federal program spending: $58.2 billion</td>
<td></td>
</tr>
</tbody>
</table>

6 SSA, FY2013 Key Tables, Tables 3-5.
7 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.
8 For additional information on the SSDI program, see CRS Report RL32279, Primer on Disability Benefits: Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI), by Umar Moulta-Ali.
9 SSA, FY2013 Key Tables, Tables 6-7.
10 Includes administrative expenses, payments to vocational rehabilitation and Ticket to Work providers, and research expenses.
11 Total projected 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.
12 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 1. Projected Spending on SSA Programs

**FY2012**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>OASI</td>
<td>77%</td>
</tr>
<tr>
<td>SSDI</td>
<td>16%</td>
</tr>
<tr>
<td>SSI</td>
<td>7%</td>
</tr>
<tr>
<td>WWII Vets</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>

**Source:** Social Security Administration, *FY2013 President’s Budget: Key Tables*, February 2012, Table 3, http://www.ssa.gov/budget/2013KeyTables.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 of the United States.15 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 of the United States, and usually live in the Philippines. The cost of these benefits and their related administrative costs are paid out of general revenue.

**FY2013 Special Benefits for Certain WWII Veterans Projections**

- Average monthly beneficiaries: 1,000
- Benefit outlays: $6 million
- Administrative and other costs: $1 million14
- Total program spending: $7 million

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13 SSA, *FY2013 Key Tables*, Table 8.
14 Includes program administrative costs only.
15 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).

A. 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. This account 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 FY2013, the President’s budget projects $32.5 billion in payments not subject to annual appropriations. Of this amount, $858 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. In addition, $31.5 billion is from the taxation of Social Security benefits. 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.

Payments Subject to Annual Appropriations

For FY2013, the President’s budget requests $20.4 million in payments to the Social Security trust funds subject to annual appropriations. Of this request, $14.0 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. An additional $4,000 is

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17 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 OASI and 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. Because P.L. 112-96 was enacted after the submission of the President’s FY2013 budget, the projected payments to the Social Security trust funds not subject to annual appropriations do not take into account a reduced payroll tax rate beyond February 29, 2012.

18 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 FY2013 is $8 million.


20 Section 1131 of the Social Security Act (42 U.S.C. §1320b-1) as established by the Employee Retirement Income (continued...)
requested for the costs related to the one remaining person receiving a special payment for certain uninsured persons (known as a Prouty benefit) subject to reimbursement. The President's budget does 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.

B. 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 FY2013 budget requests $40 billion for current fiscal year program costs and $19.3 billion for SSI benefits in the first quarter of FY2013. Total federal benefit payments in FY2013 are estimated to cost $54.2 billion, with $18.2 billion coming from the FY2013 advance appropriation.

Administrative and Other Expenses

In addition to providing for the cost of SSI benefits, the appropriation for the SSI program also provides for administrative expenses relating to the SSI program, beneficiary services, and costs related to research and demonstration projects. The FY2013 President’s budget request for these administrative and other expenses is $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 FY2013 President’s budget request for administrative expenses is just under $4 billion.

(...continued)

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.

21 Section 228 of the Social Security Act (42 U.S.C. §428), as established by the Tax Adjustment Act of 1966, P.L. 89-368, authorizes special benefits to persons aged 72 and over who, because of their ages, could not have worked long enough to qualify for Social Security benefits. Benefit and administrative costs for persons who reached the age of 72 before 1968 are paid by the OASI trust fund and reimbursed from general revenue through appropriation. There is currently one such recipient.

22 The SSA has determined that appropriations are not needed in FY2012 for these activities. Cost 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.


24 Ibid., p. 42.
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 FY2013 President’s budget does not request funding for beneficiary services. The President’s FY2013 budget request for Title XVI research and demonstration projects and Medicare outreach is $48 million.\textsuperscript{25}

C. Office of the Inspector General

The SSA Office of the Inspector General (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 investigates improper receipt of federal benefits; certain crimes committed by SSA employees, contractors, and program beneficiaries; and supports larger government-wide homeland security efforts. The President’s FY2013 budget request for the OIG is $107.6 million, of which $30 million is from general revenue and $77.6 million is from the OASI and DI trust funds as authorized by Section 201(g)(1) of the Social Security Act\textsuperscript{26} for costs associated with the OASI and DI programs.\textsuperscript{27}

D. Limitation on Administrative Expenses

The appropriation for the limitation on administrative expenses (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 that the SSA can spend on its administrative activities. Figure 2 provides the breakdown of budget authority for the LAE account in the President’s FY2013 budget request.

The FY2013 President’s budget request for SSA’s LAE account is $11.8 billion.\textsuperscript{28} This total appropriation consists 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 FY2013 budget request for the base LAE account is $10.6 billion.

\textsuperscript{25} Sections 1110 and 1115 of the Social Security Act (42 U.S.C. §§1310 and 1315) authorize the SSA to conduct research and demonstration projects relating to the SSI and Medicaid programs. Section 1144 of the Social Security Act (42 U.S.C. §1320b-14) requires the SSA to conduct certain outreach activities on behalf of the Medicare program including identifying Medicare beneficiaries who may be eligible for Medicaid or prescription drug subsidies under Medicare Part D.

\textsuperscript{26} 42 U.S.C. §401(g).

\textsuperscript{27} SSA, FY2013 Budget Justification, p. 143.

\textsuperscript{28} Ibid., pp. 94-96.
Figure 2. SSA Total LAE Budget Authority
FY2013 President’s Budget Request


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

Processing Social Security and SSI Claims and Hearings

The amount of the LAE appropriation affects the SSA’s ability to process initial claims for OASI and SSDI benefits and applications to the SSI program. As shown in Figure 3, there were significant increases in new claims for SSDI and SSI benefits between FY2008 and FY2009, likely caused by worsening overall economic conditions and rising levels of unemployment.29 These increases continued, but at a lower rate from FY2009 to FY2010. Because the administrative costs associated with disability claims are higher than those associated with OASI claims, the increase in SSDI and SSI claims places an increased burden on the administrative resources of the SSA.30


30 SSA, FY2013 Key Tables, Table 9. Administrative expenses equal 2.1% of SSDI and 7% of SSI benefits, and 0.4% of OASI benefits.
Figure 3. New Claims for Social Security and SSI Benefits
FY1999 to FY2011


Approximately 66% of all new claims for SSDI and SSI benefits are initially denied and more than one-third of denied claimants request an appeals hearing before an SSA administrative law judge (ALJ).31 For much of the past decade until FY2008, the SSA had seen an increase in the number of pending hearings. Starting in FY2008, however, the number of hearings pending at the end of each fiscal year began to drop. At the end of FY2010, there were 705,367 hearings pending, and the average processing time for hearing requests was down to 390 days from a peak of 532 days in August 2008.32 However, due to an increase in the number of hearing requests, the number of pending hearings increased to 787,000 in FY2011.33 In recent years, the SSA has hired additional ALJs and support staff and made other administrative changes that have reduced the number of pending hearings, reduced the processing time for hearings, and eliminated nearly all cases with hearing requests that have been pending for more than 750 days.34 In its FY2012 budget request, the SSA reported that it was on track to “eliminate the hearings backlog” by reducing the backlog of hearings to below 500,000 by FY2013.35 However, the FY2013 budget request projects 544,000 pending hearings at the end of FY2013 and states that, contingent of

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31 SSA, FY2013 Budget Justification, p. 140.
33 SSA, FY2013 Budget Justification, p. 4.
34 Ibid., p. 11.
appropriate levels of funding, the agency appears to be on track to meet its new goal of 525,000 pending hearings at the end of FY2014.36

![Figure 4. SSA Hearings Pending at the End of Each Fiscal Year](image)


**Note:** Includes hearings for all programs administered by the SSA.

**Program Integrity Activities**

The FY2013 President’s budget requests $1 billion for costs associated with conducting continuing disability reviews (CDRs) and SSI redeterminations.37 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 $751 million permitted for FY2013. Thus, the President’s budget request of $1.024 billion for

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36 SSA, FY2013 *Budget Justification*, pp. 4 and 150.

37 Ibid., pp. 94-96.
program integrity activities for FY2013 includes the maximum base amount of $273 million and the full cap adjustment of $751 million.

The SSA estimates that every $1 spent on CDRs saves approximately $9 in lifetime program costs, including savings to the Medicare and Medicaid programs. In addition, the agency estimates that every $1 spent on SSI redeterminations saves $6 in program costs over 10 years, including savings to the Medicaid program. However, because LAE appropriations are made annually and their costs are applied to each fiscal year’s annual budget, the long-term savings from these program integrity activities does not fully offset their costs in the fiscal year of the appropriation. As a result, the SSA has not traditionally been able to secure enough funding each year to gain the maximum potential program savings from CDRs and SSI redeterminations. However, as shown in Figure 5, since FY2007, the number of medical CDRs, total CDRs, and SSI redeterminations has generally increased, reducing an overall downward trend in CDRs and redeterminations that lasted for much of the period since the early 2000s. However, the increase in total CDR’s in FY2011 was largely due to an increase in CDR mailers rather than the more comprehensive medical CDRs. The total number of CDRs was essentially unchanged from FY2011 to FY2012.

**User Fees**

The FY2013 President’s budget request includes $171 million in LAE appropriations from two user fees collected by the SSA with $170 million from fees collected from states for the administration of their SSI supplement programs. An additional $1 million is requested from fees paid by non-attorney representatives for certification to represent claimants before the SSA.

**Research and Demonstrations**

The FY2013 President’s budget request also includes $48 million for research and demonstration projects. While this request is not part of the formal requested LAE language, it is a component of the SSA’s total administrative funding request. The FY2013 President’s budget request includes a legislative proposal to reinstate, for five years, the SSA’s authority to conduct demonstration projects under Title II of the Social Security Act.

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38 SSA, FY2013 Budget Justification, p. 103.
39 Ibid., pp. 94-96.
40 Section 234 of the Social Security Act (42 U.S.C. §434) granted the SSA the authority to conduct demonstration projects on programs under Title II of the act. This authority terminated on December 18, 1995. The SSA has permanent authority to conduct demonstration projects on the SSI program pursuant to Section 1110(b) of the act (42 U.S.C. §1310(b)).
Carryover

The annual LAE appropriations language enacted by Congress permits the SSA to carryover unobligated administrative funds to be used in future fiscal years for information technology activities. A portion of these unobligated funds are transferred into the agency’s no-year ITS account. The SSA currently estimates that it has $162.1 million in no-year ITS funding available for FY2012. 41

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 the Congress, without revision, a budget request.42 This budget request is independent of the President’s budget request for the agency and generally includes a request for total administrative funding and a request for funding for the OIG. The Commissioner’s budget is included in the section on the SSA in the appendix to the President’s budget. The FY2013 Commissioner’s

41 SSA, FY2013 Budget Justification, p. 128.
42 Section 704(b) of the Social Security Act (42 U.S.C. §904(b)).


Note: “All CDRs” include both full medical CDRs and CDR mailers that do not include a medical review.
budget for administrative funding for the SSA is $12.5 billion with an additional $109 million for the OIG.43

As shown in Figure 6, 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 and only in FY1997, FY2008, and FY2009 has the final appropriation exceeded the President’s request.

**Figure 6. SSA Administrative Budget Requests and Appropriations**

FY1997 to FY2013

![Graph showing SSA administrative budget requests and appropriations from FY1997 to FY2013](image)

**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 OIG. “President’s Request” includes LAE and for FY2000 a $100 million requested transfer of automation investment funds to base operations. “Final Appropriation” includes all rescissions, except rescissions of no-year ITS 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.

**FY2012 Administrative Funding**

Administrative funding for the SSA for FY2012 is primarily provided by the Consolidated Appropriations Act, 2012, P.L. 112-74, with additional funding for program integrity activities provided by the Disaster Relief Appropriations Act, 2012, P.L. 112-77. Appropriations for the

SSA in both pieces of legislation are subject to a mandatory 0.189% rescission.\textsuperscript{44} Taking this rescission into account, the final FY2012 appropriation for the SSA’s administrative expenses is $11.4 billion, an increase of 0.3% over the final FY2011 appropriation and a decrease of 8.5% from the President’s request. The final FY2012 appropriation for the OIG, taking into account the mandatory rescission, is $102.3 million.

**FY2013 Administrative Funding**

Congress has not passed legislation providing full-year appropriations for the SSA for FY2013. Rather, federal government operations are currently funded through a continuing resolution through March 27, 2013. This continuing resolution provides for an increase of 0.612% for the portion of the SSA administrative costs (after the FY2012 0.189% rescission) funded by P.L. 112-74, but not the portion funded by P.L. 112-77.

On March 6, 2013, the House of Representatives passed H.R. 933, a continuing resolution to fund the federal government through the end of FY2013. This continuing resolution would fund most agencies and activities, including the SSA LAE account and SSA OIG, at their FY2012 levels minus a rescission of 0.098% for non-security programs.\textsuperscript{45} This rescission would not apply to the portion of the LAE specifically appropriated for program integrity activities in FY2012 (approximately $757 million).\textsuperscript{46} Under H.R. 933, total LAE funding for FY2013 would be reduced from the FY2012 level of $11.45 million to $11.44 million. The Senate has not acted on a FY2013 full-year continuing resolution.

**Sequestration of SSA Administrative Funds**

Pursuant to the provisions of the Budget Control Act of 2011, P.L. 112-25, most discretionary spending of the federal government is subject to automatic reductions because Congress did not enact legislation developed by the Joint Select Committee on Deficit Reduction. These reductions were scheduled to begin on January 2, 2013. However, with the enactment of the American Taxpayer Relief Act of 2012, P.L. 112-240, the effective date of sequestration was delayed until March 1, 2013.

The rate of reduction for nondefense discretionary accounts is 5.0% of total FY2013 appropriations. In the case of intergovernmental transfers such as the SSA LAE account, which is financed by the OASI, DI, and Medicare trust funds as well as general revenue, the reductions are applied to the paying, rather than receiving accounts. Thus, the money transferred to the LAE account is reduced at the 5.0% sequestration level, resulting in an overall reduction of LAE funds.

\textsuperscript{44} This rescission is provided by Section 527 of Division F of P.L. 112-74 and applies to all discretionary appropriations in the Departments of Labor, Health and Human Services, Education, and Related Agencies sections of P.L. 112-74. Title II of P.L. 112-77 provides that the additional funding for SSA program integrity activities provided in that legislation “shall be treated for such purposes as being included under this heading in the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, or any continuing appropriation Act, for fiscal year 2012,” thus subjecting this funding to the 0.189% rescission provided for in P.L. 112-74.

\textsuperscript{45} A 0.109% rescission would apply to security programs.

\textsuperscript{46} The rescission would not apply to approximately $273 million for program integrity appropriated (after the FY2012 rescission) by P.L. 112-74 and approximately $484 million appropriated (after the FY2012 rescission) for program integrity by P.L. 112-77.
The portion of LAE paid from general revenue for the purposes of administering the SSI program is exempt from sequestration. In general, federal administrative expenses are subject to sequestration, even if they are used to administer programs that are exempt from sequestration. However, the Office of Management and Budget (OMB) has determined that this rule only applies to mandatory administrative expenses and that discretionary administrative expenses for exempt programs are not subject to sequestration.\(^\text{47}\) Because the SSI program is exempt from sequestration by law,\(^\text{48}\) and its administrative expenses are considered mandatory, its portion of the LAE account is also exempt from sequestration.

Thus, the 5.0% reduction only applies to the portion of LAE that is funded by the OASI, DI, and Medicare trust funds, resulting in an overall LAE reduction of approximately 3.35% of total FY2013 appropriations.\(^\text{49}\) Funding for the SSA OIG is subject to the 5.0% reduction.

The continuing resolution passed by the House of Representatives in March 2013, H.R. 933, would continue the sequestration provisions through the end of FY2013.

**SSA Program Integrity Funding Provisions in the Budget Control Act of 2011**

The Budget Control Act of 2011, P.L. 112-25, places caps on discretionary spending and increases the federal government’s statutory debt limit.\(^\text{50}\) Section 101 of the act provides that 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.

**Author Contact Information**

Scott Szymendera  
Analyst in Disability Policy  
sszymendera@crs.loc.gov, 7-0014

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\(^\text{48}\) 2 U.S.C. § 905(h).

\(^\text{49}\) The estimated overall LAE reduction is based on information published in Office of Management and Budget, *OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013*, Washington, DC, March 1, 2013; and information provided to CRS by the Office of Management and Budget and the SSA.

\(^\text{50}\) For additional information on the federal government’s statutory debt limit, see CRS Report R41633, *Reaching the Debt Limit: Background and Potential Effects on Government Operations*, coordinated by Mindy R. Levit.