Congressional Research Service
Informing the legislative debate since 1914

Social Security Administration (SSA): FY2017 Appropriations and Recent Trends

Updated June 14, 2017

Congressional Research Service
https://crsreports.congress.gov
R44645

CRS REPORT
Prepared for Members and
Committees of Congress

Summary

The Social Security Administration (SSA) is responsible for administering a number of federal entitlement programs that provide income support (cash benefits) to qualified individuals. These programs are

- Old-Age, Survivors, and Disability Insurance (OASDI), commonly known as Social Security;
- Supplemental Security Income (SSI) for the Aged, Blind, and Disabled; and
- Special Benefits for Certain World War II Veterans.

In FY2017, SSA's programs are projected to pay a combined $1 trillion in federal benefits to an estimated 68.4 million individuals. The cost to administer these programs is projected to be about 1.3% of benefit outlays.

Although benefit payments for SSA's programs are considered mandatory spending and thus are not controlled by the annual appropriations process, the agency requires annual discretionary appropriations to carry out its programs and to support the administration of non-SSA programs, such as Medicare, as well as various other priorities. The annual appropriation for SSA's limitation on administrative expenses (LAE) account provides nearly all of the agency's administrative funding. The LAE account is composed of funds from the Social Security and Medicare trust funds for their share of administrative expenses, the general fund of the U.S. Treasury for SSI's share of administrative expenses, and user fees paid to SSA for certain administrative activities. Additional appropriations from Congress provide funding for SSI program costs, research and demonstration projects, SSA's Office of the Inspector General (OIG), and certain payments to the Social Security trust funds. SSA's accounts are traditionally funded through the Departments of Labor, Health and Human Services, and Education, and Related Agencies (LHHS) appropriations bill.

The Obama Administration's FY2017 request for SSA's LAE account was $13.067 billion, which included $1.819 billion for program integrity activities such as continuing disability reviews (CDRs) and SSI nonmedical redeterminations. By comparison, the FY2016 appropriation for SSA's LAE account was $12.162 billion, with $1.426 billion dedicated to program integrity work.

On September 29, 2016, President Obama signed into law the Continuing Appropriations and Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2017, and Zika Response and Preparedness Act (H.R. 5325; P.L. 114-223), which contains the Continuing Appropriations Act, 2017 (Division C). The first FY2017 continuing resolution (CR) provided continuing appropriations for 11 of the 12 annual appropriations bills (including the LHHS appropriations bill) through December 9, 2016.

On December 10, 2016, President Obama signed into law the Further Continuing and Security Assistance Appropriations Act, 2017 (H.R. 2028; P.L. 114-254). The second FY2017 CR provided continuing appropriations for 11 of the 12 annual appropriations bills (including the LHHS appropriations bill) through April 28, 2017. On April 28, 2017, President Trump signed into law a third FY2017 CR (H.J.Res. 99; P.L. 115-30). The short-term CR continued funding under the terms of the previous CR through May 5, 2017.

On May 5, 2017, President Trump signed into law the Consolidated Appropriations Act, 2017 (H.R. 244; P.L. 115-31), which provides continued funding through the end of FY2017. The annualized funding level for the LAE account under the FY2017 omnibus is $12.482 billion, with $1.819 billion dedicated to program integrity work.

Over the past several years, Congress has increased the amount of funding provided to SSA for program integrity work. This increase has allowed the agency to process more CDRs and SSI redeterminations, resulting in additional net savings to the federal government. However, funding for non-program integrity work during this period has essentially remained flat in nominal (unadjusted) terms. According to SSA and others, recently enacted funding levels for non-program integrity work have contributed to agency delays in processing other workloads, such as pending disability cases at the hearing level of the administrative appeals process.

Contents

Introduction 1
Background on SSA's Programs 1
Old-Age and Survivors Insurance 2
Social Security Disability Insurance 2
Supplemental Security Income 3
Special Benefits for Certain World War II Veterans 3
Projected SSA Outlays in FY2017 4
FY2017 Budget Request and Appropriations for SSA 6
FY2017 President's Budget Request 6
Payments to Social Security Trust Funds 6
Supplemental Security Income Program 7
Limitation on Administrative Expenses 9
Office of Inspector General 13
FY2017 Commissioner's Budget Request 13
Congressional Action on a Stand-alone FY2017 LHHS Bill 14
FY2017 LHHS Action in the House 14
FY2017 LHHS Action in the Senate 14
FY2017 Continuing Resolutions 15
FY2017 Omnibus 15
Trends in the Budget Request and the Appropriation for SSA's LAE Account 18
Recent Changes in the Composition of the LAE Appropriation and Effects on SSA's Workloads 20

Figures

Figure 1. Projected SSA Outlays in FY2017, by Program and Type of Spending 4
Figure 2. Components of the Budget Authority for the LAE Account in the FY2017 President's Budget Request 9
Figure 3. Annual Budget Request and Appropriation for SSA's LAE Account, FY1997-FY2017 18
Figure 4. Annual Appropriation for SSA's LAE Account, Adjusted for Price and Wage Growth, FY1997-FY2017 19
Figure 5. Dedicated Program Integrity Funding, Adjusted for Price and Wage Growth, FY2010-FY2017 20
Figure 6. Number of Full Medical CDRs Conducted by SSA and the End-of-the-Year CDR Backlog, FY2010-FY2016 21
Figure 7. LAE Funding Not Dedicated to Program Integrity Work, Adjusted for Price and Wage Growth, FY2010-FY2017 22
Figure 8. Number of Pending Hearings and Average Processing Time for Hearings Decisions, FY2010-FY2017 Q2 23

Tables

Table 1. Projected Administrative Costs as a Share of Benefit Payments and as a Share of Trust Fund Income, FY2017 5
Table 2. Summary of the FY2017 President's Budget Request for SSA's Accounts..... 6
Table 3. Comparison of the FY2017 President's Budget Request and Prior-Year Appropriations for the SSI Account 8
Table 4. Comparison of the FY2017 President's Budget Request and the FY2016 Enacted Appropriation for the LAE Account..... 10
Table 5. Maximum Adjustments to Discretionary Spending Caps for SSA Program Integrity Work Under Prior Law and Under the Bipartisan Budget Act of 2015 11
Table 6. Comparison of the FY2017 President's Budget Request and the FY2016 Enacted Appropriation for the OIG Account 13
Table 7. Comparison of FY2016 Enacted Appropriations, FY2017 President's Budget Request, FY2017 Amounts Passed by the House and Senate Committees on Appropriations, and the FY2017 Omnibus for the LAE and OIG Accounts 17

Table A-1. FY2016 Appropriations Detail for the LAE and OIG Accounts..... 24

Appendixes

Appendix. Summary of the FY2016 Budget Request and Appropriations for the LAE and OIG Accounts..... 24

Contacts

Author Information..... 25

Introduction

The Social Security Administration (SSA) oversees programs that touch the lives of millions of American families and are key components of the nation's economic safety net. The Old-Age, Survivors, and Disability Insurance (OASDI) program, commonly known as Social Security, is the most well-known of these programs. SSA is also responsible for carrying out two cash assistance programs for certain groups of low-income individuals: (1) Supplemental Security Income (SSI) for the Aged, Blind, and Disabled and (2) Special Benefits for Certain World War II Veterans. In addition to its own programs, the agency supports the administration of a number of non-SSA programs, such as Medicare, and provides and verifies data for a variety of federal and state program purposes. Benefit payments for SSA's programs are considered *mandatory spending*, which means that such outlays are controlled by each program's authorizing statute—not by appropriations acts.[1] However, the resources needed to carry out SSA's programs, as well as to support the administration of other priorities, are considered *discretionary spending* and thus are controlled by the annual appropriations process.[2]

This report provides background on mandatory spending for SSA's programs but its focus is on annual discretionary appropriations for SSA's administrative activities. It begins with a brief description of SSA's programs and then examines the agency's projected spending on benefit payments and operating costs in FY2017. Next, it provides an overview of the FY2017 President's budget request for all of SSA's accounts, the FY2017 Commissioner's budget request for the agency's administrative accounts, and major congressional actions on SSA's appropriations for FY2017. Lastly, the report examines trends in the budget request and the appropriation for the limitation on administrative expenses (LAE) as well as how changes in the composition of the LAE appropriation have affected agency workloads. Most of the data presented in this report can be found in SSA's FY2017 budget justification to Congress, which is available at https://www.ssa.gov/budget/.

Background on SSA's Programs

SSA is charged with administering several federal income support programs established under the Social Security Act, namely

- Social Security (OASDI; Title II of the act);[3]
- Supplemental Security Income (SSI; Title XVI of the act);[4] and
- Special Benefits for Certain World War II Veterans (Title VIII of the act).[5]

[1] See CRS Report 98-721, *Introduction to the Federal Budget Process*. See also U.S. Government Accountability Office (GAO), A Glossary of Terms Used in the Federal Budget Process, GAO-05-734SP, September 1, 2005, http://www.gao.gov/products/GAO-05-734SP.

[2] The Social Security Administration's (SSA's) other priorities include activities related to the following programs, initiatives, and federal laws: Medicare, E-Verify, the Employees Retirement Income Security Act of 1974, the Coal Act, the Supplemental Nutrition Assistance Program (SNAP; formerly Food Stamps), Social Security Number (SSN) verifications, the Help America Vote Act, and the State Children's Health Insurance Program (CHIP).

[3] 42 U.S.C. §401 et seq.

[4] 42 U.S.C. §1381 et seq.

[5] 42 U.S.C. §1001 et seq.

Social Security is a social insurance program that replaces a portion of an insured worker's earnings based on the individual's career-average earnings in covered employment. In contrast, SSI and Special Benefits for Certain World War II Veterans are public assistance programs that provide a guaranteed minimum income to certain groups of individuals who have little or no Social Security or other income. All three programs are *entitlements*, meaning that the federal government is obligated to pay benefits to individuals who meet the eligibility requirements specified in each program's authorizing statute.[6] To conform to the presentation of data in SSA's FY2017 budget justification to Congress, this report describes Old-Age and Survivors Insurance and Disability Insurance as separate programs.

Old-Age and Survivors Insurance[7]

FY2017 Projections for OASI[8]

Number of beneficiaries: 51.8 million

Average monthly retired-worker benefit: $1,369

Benefit outlays: $812.6 billion

Administrative and other costs: $7.4 billion[9]

Total program spending: $820 billion

Old-Age and Survivors Insurance (OASI) provides monthly cash benefits to insured workers aged 62 or older and to their eligible spouses and children. It also pays benefits to certain survivors of deceased insured workers. Workers achieve insured status by working and paying Social Security taxes for a sufficient number of years in jobs that are covered under the Social Security system. OASI benefits and administrative costs are paid out of the Federal Old-Age and Survivors Insurance Trust Fund to which current workers, their employers, and self-employed individuals contribute.[10] Under current law, the OASI trust fund's share of the combined 12.4% Social Security payroll tax rate is 10.03%.

Social Security Disability Insurance[11]

FY2017 Projections for SSDI[12]

Number of beneficiaries: 11 million

Average monthly disabled-worker benefit: $1,176

Benefit outlays: $149.2 billion

Administrative and other costs: $3.5 billion[13]

Total program spending: $152.7 billion

Social Security Disability Insurance (SSDI) pays monthly cash benefits to nonelderly insured workers who are unable to perform substantial work because of severe, long-term disabilities and to their eligible spouses and children. Workers become insured in the event of disability by working for a certain number

[6] See CRS Report RS20129, *Entitlements and Appropriated Entitlements in the Federal Budget Process*.

[7] For more information on Old-Age and Survivors Insurance (OASI), see CRS Report R42035, *Social Security Primer*.

[8] SSA, *Justification of Estimates for Appropriations Committees, Fiscal Year 2017*, February 2016, Tables i.4-i.6, pp. 4-5, https://www.ssa.gov/budget/ (hereinafter cited as "SSA, FY2017 Budget Justification").

[9] Figure includes OASI administrative expenses, beneficiary services, payments to the Railroad Retirement Board, and Treasury administrative expenses. OASI administrative expenses chargeable to the Federal Old-Age and Survivors Insurance Trust Fund are projected to be $2.8 billion in FY2017.

[10] For more information on the OASI trust fund, see CRS Report RL33028, *Social Security: The Trust Funds*.

[11] For more information on Social Security Disability Insurance (SSDI), see CRS In Focus IF10506, *Social Security Disability Insurance (SSDI)*.

[12] SSA, FY2017 Budget Justification, Tables i.4-i.6, pp. 4-5.

[13] Figure includes SSDI administrative expenses, beneficiary services, payment to the Railroad Retirement Board (RRB), demonstration projects, and Treasury administrative expenses. SSDI administrative expenses chargeable to the Federal Disability Insurance (DI) Trust Fund are projected to be $3 billion in FY2017.

of years in jobs that are covered under Social Security and thus are subject to payroll taxes. SSDI benefits are payable until the disabled worker dies, returns to work, or reaches Social Security's full retirement age (currently 66), at which point the worker transitions to OASI. SSDI benefits and administrative costs are paid out of the Federal Disability Insurance (DI) Trust Fund to which current workers, their employers, and self-employed individuals contribute.[14] Under current law, the DI trust fund's share of the combined 12.4% Social Security payroll tax rate is 2.37%.

Supplemental Security Income[15]

FY2017 Projections for SSI[16]

Number of federal recipients: 8.2 million

Average monthly benefit: $561

Federal benefit outlays: $56.2 billion

Federal administrative costs: $5.5 billion[17]

Total federal program spending: $61.7 billion[18]

SSI provides cash assistance to needy aged, blind, or disabled individuals, including blind or disabled children. The program's goal is to provide qualified individuals with a guaranteed minimum income to meet their basic needs for food, clothing, shelter, and other daily necessities. To qualify for SSI, a person must have limited income and assets as well as meet certain other requirements. Monthly SSI benefits are reduced by other countable income, meaning that SSI is often a program of "last resort" for low-income seniors and individuals with disabilities. States may complement federal SSI benefits with state supplementary payments (SSPs) that are made solely with state funds. Federal SSI benefits and administrative costs are paid out of the general fund of the U.S. Treasury, also known as *general revenues*.

Special Benefits for Certain World War II Veterans[19]

FY2017 Projections for Special Benefits for Certain WWII Veterans[20]

Number of recipients: Fewer than 500

Average monthly benefit: $380

Federal benefit outlays: $2 million

Administrative costs: $1 million

Total program spending: $3 million

The Special Benefits for Certain World War II Veterans program provides a minimum cash benefit to two groups of low-income individuals who live outside of the United States: American veterans of World War II and veterans of the Filipino armed forces that fought alongside the American military during that conflict. To qualify, individuals must have been aged 65 or older on December 14, 1999; have been SSI eligible for that month; be an eligible World War II veteran; have limited income;

[14] For more information on the DI trust fund, see CRS Report R43318, *The Social Security Disability Insurance (DI) Trust Fund: Background and Current Status*.

[15] For more information on Supplemental Security Income (SSI), see CRS In Focus IF10482, *Supplemental Security Income (SSI)*.

[16] SSA, FY2017 Budget Justification, Tables i.4 and i.7-i.8, pp. 4, 6-7.

[17] Figure includes beneficiary services, research, administrative costs, and $2 million for the State Department's two-year Special Immigrant Visa extension for Afghans in FY2017.

[18] Total projected SSI program spending does not include the fees paid by states to SSA to administer their state supplementation programs.

[19] For more information on Special Benefits for Certain World War II Veterans, see SSA, *Special Benefits for Certain World War II Veterans*, March 2016, Publication No. 05-10157, https://www.ssa.gov/pubs/EN-05-10157.pdf.

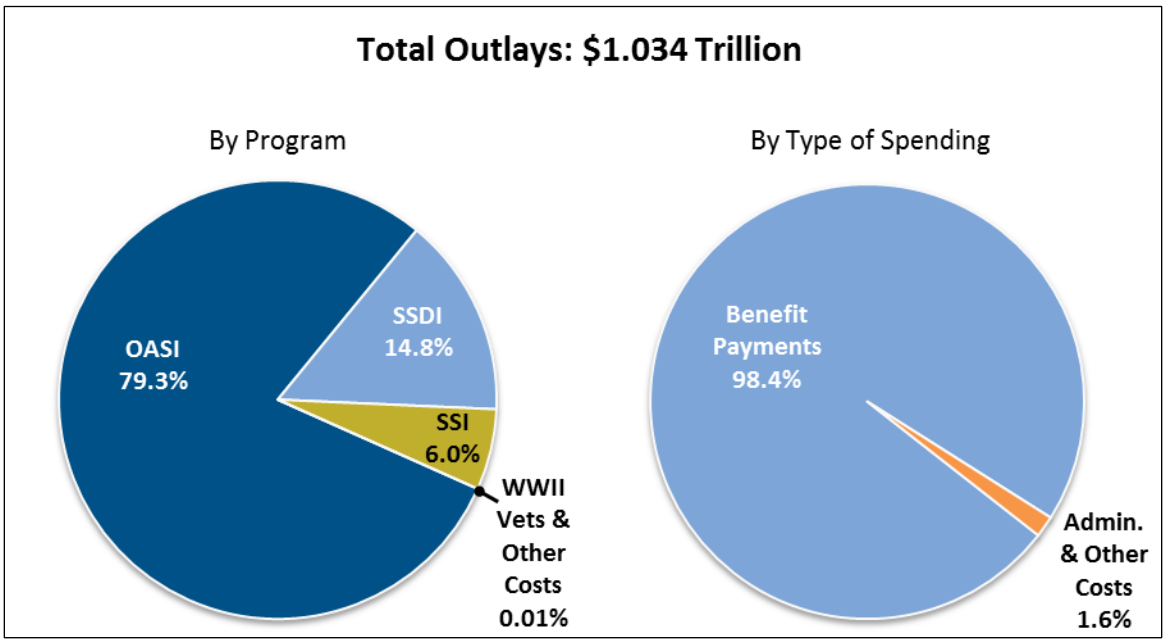
[20] SSA, FY2017 Budget Justification, Tables i.4 and i.9, pp. 4 and 8.

and reside outside the United States. The program's benefits and related administrative costs are paid out of general revenues.

Projected SSA Outlays in FY2017

As shown in **Figure 1**, outlays for the OASI, SSDI, SSI, and Special Benefits for Certain World War II Veterans programs combined are projected to be $1.034 trillion in FY2017. This projection includes benefit payments as well as SSA and non-SSA administrative expenses and certain other costs. Of this amount, nearly $1.018 trillion (or 98.4%) is for benefit payments. Adjusted for double counting, SSA estimates that approximately 68.4 million individuals will receive federal benefits from its programs in FY2017.[21]

Figure 1. Projected SSA Outlays in FY2017, by Program and Type of Spending



Source: Congressional Research Service (CRS), based on data from Social Security Administration (SSA), *Justification of Estimates for Appropriations Committees, Fiscal Year 2017*, February 2016, Tables i.4, i.5, i.7 and i.9, pp. 4-8, https://www.ssa.gov/budget/ (hereinafter cited as "SSA, FY2017 Budget Justification").

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. "Other Costs" under the "By Program" pie chart include outlays for administrative activities related to the Medicare Access and Chip Reauthorization Act of 2015 (MACRA; P.L. 114-10) as well as costs for SSA's National Support Center. Subtotals may not equal totals due to rounding.

As noted earlier, benefit outlays for SSA's programs are considered mandatory spending and therefore are not controlled by annual appropriations acts.[22] Spending on benefit payments for

[21] SSA, FY2017 Budget Justification, Table 3.18, p. 145. Figure is adjusted for concurrent receipt of Social Security and SSI and excludes individuals in receipt of a federally administered state supplementary payment (SSP) but no federal SSI benefit. It does not include recipients of the Special Benefits for Certain World War II Veterans program.

[22] For more information on federal budget terms, see Chapter 9 ("Budget Concepts") in U.S. Office of Management and Budget (OMB), *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2017*, February 2016, pp. 97-119, https://www.gpo.gov/fdsys/pkg/BUDGET-2017-PER/pdf/BUDGET-2017-PER-4-5.pdf.

these programs is determined by the eligibility requirements and benefit formula specified in each program's authorizing statute.

Table 1 shows administrative outlays for each program as a percentage of benefit payments and for Social Security, as a share of trust fund income.[23] The right column of the table excludes non-SSA administrative expenses and certain other costs, except in the row labeled "Total," which includes costs associated with Medicare-related activities. Administrative costs as a share of benefit payments are projected to be 1.3% in FY2017.[24]

Table 1. Projected Administrative Costs as a Share of Benefit Payments and as a Share of Trust Fund Income, FY2017

Program	Share of Benefit Payments	Share of Trust Fund Income
OASDI (combined)	0.6%	0.6%
OASI	0.3	0.3
SSDI	2.0	1.8
SSI (federal and state)	9.2	[a]
WWII Vets	50.0[b]	[a]
Total	**1.3%**[c]	[a]

Source: CRS, adapted from SSA, FY2017 Budget Justification, Table i.10, p. 9.

Notes: The table excludes certain non-SSA administrative outlays and other expenses attributable to the OASI, SSDI, and SSI programs in Tables i.5 and i.7 of SSA's FY2017 Budget Justification.

a. Not applicable.

b. In FY2017, administrative outlays for the Special Benefits for Certain World War II Veterans program are projected to be $1 million, and federal benefits are projected to be $2 million. Because these numbers are rounded, administrative outlays as a share of benefit payments may be less than or greater than 50%.

c. Includes Hospital Insurance (HI) and Supplementary Medical Insurance (SMI) administrative outlays.

Administrative costs as a share of benefit payments are greater for SSA's disability programs compared with OASI because the disability programs are more complicated to administer and thus require more resources per applicant or beneficiary. As a means-tested program, SSI is particularly complex to administer because SSA must verify all sources of income and resources available to a SSI recipient and adjust benefits every time there is a change in the recipient's income, which could be on a month-by-month basis. The ratio of administrative costs to benefit payments for the Special Benefits for Certain World War II Veterans program is noticeably higher compared with Social Security or SSI because of low benefit levels and the declining number of individuals in receipt of benefits. In FY2017, SSA projects that the program will provide benefits to fewer than 500 individuals each month, on average.

[23] Income to the OASI and DI trust funds is composed of payroll taxes, income from the taxation of Social Security benefits, reimbursements from the general fund of the U.S. Treasury for various costs imposed on the Social Security program, and interest earned on investments held by the trust funds.

[24] The 1.3% amount differs from the 1.6% amount shown in **Figure 1** for two reasons. First, the 1.3% amount reflects administrative costs as a share of benefit payments, whereas the 1.6% amount reflects administrative costs as a share of total outlays (benefit payments plus administrative expenses and other costs). Second, the 1.3% amount excludes certain costs, such as Treasury administrative expenses associated with the OASI and SSDI programs.

FY2017 Budget Request and Appropriations for SSA

Although benefit payments for SSA's programs are considered mandatory spending and thus are not controlled by the annual appropriations process, the agency requires annual discretionary appropriations to carry out its programs and to support the administration of non-SSA programs, such as Medicare, and other priorities. This section of the report provides an overview of SSA's accounts by examining the Obama Administration's FY2017 budget request for the agency. It also discusses the FY2017 Commissioner's budget request for the agency's administrative accounts and highlights major congressional actions on SSA's FY2017 appropriations.[25] SSA's accounts are traditionally funded through the Departments of Labor, Health and Human Services, and Education, and Related Agencies (LHHS) appropriations bill.[26]

FY2017 President's Budget Request

The President's FY2017 budget request to Congress for SSA consisted of four accounts: (1) Payments to Social Security Trust Funds, (2) Supplemental Security Income Program, (3) Limitation on Administrative Expenses (LAE), and (4) Office of Inspector General. The LAE account funds the costs for carrying out SSA's programs and for supporting the administration of non-SSA programs and other priorities. The FY2017 President's budget request for SSA's accounts is summarized in **Table 2**. Each account is discussed in more detail below.

Table 2. Summary of the FY2017 President's Budget Request for SSA's Accounts

(in thousands of dollars)

Account	Type of Funding	FY2017 President's Budget Request
Payments to Social Security Trust Funds	Mandatory	$11,400
Supplemental Security Income Program		
FY2017 Request	Mandatory	43,824,868[a]
FY2018 First Quarter Advance	Mandatory	15,000,000
Limitation on Administrative Expenses	Discretionary	13,067,000[b]
Office of Inspector General	Discretionary	112,000

Source: CRS, adapted from SSA, FY2017 Budget Justification, Table i.1, p. 1.

a. Excludes $14.5 billion previously appropriated as a first quarter advance for FY2017.

b. Includes $126 million for SSI state supplement user fees and up to $1 million for nonattorney representative user fees.

Payments to Social Security Trust Funds

The Payment to Social Security Trust Funds account is designed to reimburse the OASI and DI trust funds for the costs of certain activities payable by general revenues. It consists of mandatory funding that is permanently and indefinitely authorized—and thus is provided outside of the annual appropriations process—and mandatory funding that is provided through the annual appropriations process.

[25] For more information on the annual appropriations process, see CRS Report R42388, *The Congressional Appropriations Process: An Introduction*.

[26] See CRS Report R44691, *Labor, Health and Human Services, and Education: FY2017 Appropriations*.

Mandatory Funding Provided Through the Annual Appropriations Process

For FY2017, the President's budget request included $11.4 million in payments to the Social Security trust funds that are provided through the annual appropriations process.[27] Of this amount, $5 million was for interest earned on benefit checks that remain uncashed for at least six months and $6.4 million was for administrative costs related to 1974 pension reform legislation.[28]

Mandatory Funding Provided Outside the Annual Appropriations Process

For FY2017, the President's budget projected $39.2 billion in payments to the Social Security trust funds that are provided outside of the annual appropriations process.[29] Nearly this entire amount (or 99.9%) is from subjecting a portion of Social Security benefits to federal income tax.[30] The remaining amounts are from reimbursements for union administrative expenses and payments related to changes in the reporting of self-employment income.[31]

Supplemental Security Income Program

The vast majority of funding provided to SSA each year through the appropriations process is for the SSI program, which is an *appropriated entitlement* (i.e., mandatory appropriation).[32] As with other entitlement programs, such as Social Security, the level of spending on SSI benefits is controlled through the program's authorizing statute, which sets the criteria used to determine program eligibility and benefit levels. However, because SSI's authorizing statute does not provide authority to make payments to fulfill legal obligations, funding for SSI benefits is provided through mandatory spending that is enacted through annual appropriations acts. SSI-related administrative expenses are also provided through the annual appropriations process. Funding for the SSI program is paid out of general revenues and appropriated to SSA in the Supplemental Security Income Program account.

The SSI account contains three components. First, there is a *regular* appropriation for SSI benefits and administrative costs for the current fiscal year, which is described in additional detail below. Second, there is an *indefinite appropriation* for any costs incurred for the current fiscal year after June 15. This component allows SSA to continue to pay SSI benefits in the event that

---

[27] SSA, FY2017 Budget Justification, Table 1.4, p. 21.

[28] Section 1131 of the Social Security Act (42 U.S.C. §1320b-1), as established by the Employee Retirement Income Security Act of 1974 (ERISA; P.L. 93-406), requires 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 paid initially from the OASI trust fund through SSA's limitation on administrative expenses (LAE) account and is later reimbursed from general revenues through an annual appropriation.

[29] SSA, FY2017 Budget Justification, Table 1.5, p. 22.

[30] Up to 85% of a Social Security recipient's benefits are subject to federal income tax. The share of Social Security benefits that is taxable depends on whether the individual's provisional income exceeds certain thresholds (based on filing status). *Provisional income* equals adjusted gross income, plus otherwise tax-exempt income, plus the addition (or adding back) of certain income specifically excluded from federal income taxation, plus 50% of Social Security benefits. Income derived from the taxation of up to the first 50% of Social Security benefits is credited to the OASI and DI trust funds based on the source of the benefits taxed. Medicare's Hospital Insurance (HI) trust fund is credited with the remainder of income from the taxation of Social Security benefits. See CRS Report RL32552, *Social Security: Calculation and History of Taxing Benefits*.

[31] The Food, Conservation, and Energy Act of 2008 (P.L. 110-246) made changes to the reporting of self-employment income. Section 15361 of the act is a mandatory appropriation to reimburse the OASI and DI trust funds for the loss of revenues for FY2009 through FY2017 because of these changes. The estimate for FY2017 is $7 million.

[32] CRS Report R44582, *Overview of Funding Mechanisms in the Federal Budget Process, and Selected Examples*.

benefit obligations are greater than expected during the last months of the fiscal year. Third, there is an *advance appropriation* for benefit payments for the first quarter of the succeeding fiscal year. This component is designed to ensure the timely payment of benefits in case of a delay in next fiscal year's appropriations bill. Funds appropriated for the SSI program remain available to SSA until expended.

As shown in **Table 3**, the FY2017 President's budget request included $43.8 billion for FY2017 program costs ("Subtotal Regular Appropriation") and $15 billion for SSI benefits in the first quarter of FY2018 ("Advance for Subsequent Year").[33] Total SSI benefits payable in FY2017 were estimated to be $52.9 billion ("Subtotal Federal Benefits"), with $14.5 billion coming from the advance appropriation that was enacted as part of the FY2016 omnibus for SSI benefits in the first quarter of FY2017.[34]

Table 3. Comparison of the FY2017 President's Budget Request and Prior-Year Appropriations for the SSI Account

(in thousands of dollars)

Appropriation	FY2015 Actual	FY2016 Enacted	FY2017 President's Budget Request
Advance for Federal Benefits	$19,700,000	$19,200,000	$14,500,000
Regular for Federal Benefits	36,501,000	40,410,000	38,441,736
Subtotal Federal Benefits	**$56,201,000**	**$59,610,000**	**$52,941,736**[a]
Administrative Expenses	4,578,978	4,648,733	5,234,132
Beneficiary Services	70,000	70,000	89,000
Research and Demonstration	48,000	51,000	58,000
Early Intervention Demonstration	35,000	50,000	0
Special Immigrant Visa-Afghani	0	0	2,000
Subtotal Advance Appropriation	**$19,700,000**	**$19,200,000**	**$14,500,000**
Subtotal Regular Appropriation	**$41,232,978**	**$45,229,733**	**$43,824,868**
Total Appropriation	$60,932,978	$64,429,733	$58,324,868
Advance for Subsequent Year	**$19,200,000**	**$14,500,000**	**$15,000,000**

Source: CRS, adapted from SSA, FY2017 Budget Justification, Table 2.3, p. 43.

Notes: Table does not include (1) state supplementary payments (SSPs) and reimbursements or (2) the corresponding state supplementary user fee collections. User fees are included in the appropriation for the limitation on administrative expenses (LAE) account. The number of monthly payments for FY2015 and FY2017 is 12; the number of monthly payments for FY2016 is 13.

a. SSA estimates that it will pay almost $56.2 billion in federal SSI benefits for FY2017 (obligations). In addition to the $52.9 billion requested as part of the appropriation, the agency expects to use more than $3.2 billion in prior year unobligated balances and recoveries for FY2017 federal SSI benefits.

In addition to funding benefit payments, the SSI appropriation provides for the program's administrative expenses, beneficiary services, and research and demonstration project-related costs. The FY2017 President's budget request for these administrative and other expenses was $5.4 billion.

[33] SSA, FY2017 Budget Justification, Table 2.3, p. 43.

[34] Title IV of Division H of the Consolidated Appropriations Act, 2016 (P.L. 114-113).

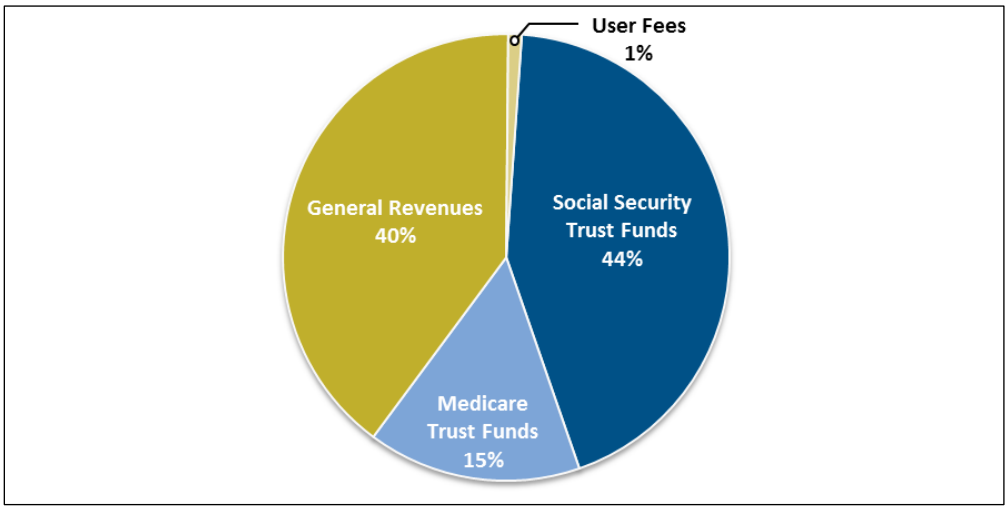
Administrative expenses for the SSI program are initially paid from the OASI and DI trust funds and are appropriated to the discretionary LAE account. The mandatory appropriation to the SSI program account is used to reimburse the trust funds from general revenues for these costs. Administrative expenses for the SSI program include costs related to disability determinations, initial applications and appeals, and program integrity activities. The FY2017 President's budget request for administrative expenses was $5.2 billion (**Table 3**).

The SSI appropriation also funds beneficiary services, research, and Medicare outreach. Beneficiary services include payments to state vocational rehabilitation (VR) agencies and Ticket to Work employment networks (ENs) for employment services provided to SSI recipients.[35] The FY2017 President's budget request included $89 million for beneficiary services, $58 million for research and demonstration projects, and an additional $2 million for costs associated with the Department of State's two-year special immigrant visa extension for Afghans (**Table 3**).[36]

Limitation on Administrative Expenses

The appropriation for the LAE account funds SSA's administrative costs associated with OASI, SSDI, SSI, and Special Benefits for Certain World War II Veterans as well as costs incurred by the agency to support Medicare and other non-SSA programs. This account also funds certain functions, such as employment verification, information technology activities, and the Social Security Advisory Board (SSAB). The LAE account is discretionary and thus is controlled through the annual appropriations process. The funds that make up this account come from Social Security's OASI and DI trust funds, Medicare's Hospital Insurance (HI) and Supplementary Medical Insurance (SMI) trust funds, general revenues, and user fees paid to SSA (**Figure 2**).[37]

Figure 2. Components of the Budget Authority for the LAE Account in the FY2017 President's Budget Request



Source: CRS, based on data from SSA, FY2017 Budget Justification, Table 3.7, pp. 129-130.

Notes: The share labeled "Social Security Trust Funds" includes funding for the administration of the Special Benefits for Certain World War II Veterans program and for the Social Security Advisory Board (SSAB).

[35] See CRS Report R41934, *Ticket to Work and Self-Sufficiency Program: Overview and Current Issues*.

[36] SSA, FY2017 Budget Justification, Table 2.3, p. 43.

[37] For more information on Medicare's trust funds, see CRS Report R43122, *Medicare Financial Status: In Brief*.

The FY2017 President's budget request for SSA's LAE account was $13.067 billion, which is $905 million (or 7.4%) more than the amount enacted for FY2016.[38] This overall appropriation consists of the base LAE appropriation, additional funding for program integrity work, and funding for LAE activities from user fees paid to SSA. The base LAE appropriation is the general appropriation for SSA's administrative activities. The FY2017 President's budget request for the base LAE appropriation was $11.121 billion, which is $522 million (or 4.9%) more than the amount enacted for FY2016 (**Table 4**).

Table 4. Comparison of the FY2017 President's Budget Request and the FY2016 Enacted Appropriation for the LAE Account

(in thousands of dollars)

Activity	FY2016 Enacted	FY2017 President's Budget Request	FY2016 to FY2017 Change	
			Amount	Percentage
Base LAE	$10,598,945	$11,121,000	$522,055	4.9%
Program Integrity (total)	1,426,000	1,819,000	393,000	27.6
Base Amount	*273,000*	*273,000*	*0*	*0.0*
Cap Adjustment	*1,153,000*	*1,546,000*	*393,000*	*34.1*
SSI State Supplement User Fees	136,000	126,000	-10,000	-7.4
Nonattorney Representative User Fees	1,000	1,000	0	0.0
Total LAE	**$12,161,945**	**$13,067,000**	**$905,055**	**7.4%**

Source: CRS, based on SSA, FY2017 Budget Justification, Table i.2, p. 2.

Please note that the FY2016 base LAE appropriation provided $150 million for one-time costs associated with the renovations and modernization of the Arthur J. Altmeyer Building, which is located at SSA's headquarters campus in Woodlawn, MD. If these costs are excluded, then the FY2017 President's budget request is $672 million (or 6.4%) more than the FY2016 base LAE appropriation and is $1.055 billion (or 8.8%) more than the FY2016 total LAE appropriation.

Program Integrity Activities

The FY2017 President's budget request included $1.819 billion for costs associated with SSA's program integrity activities, which include continuing disability reviews (CDRs) and SSI redeterminations.[39] CDRs are periodic reviews of disabled Social Security and SSI beneficiaries to determine if they continue to meet the statutory definition of disability. SSI redeterminations are periodic reviews of nonmedical eligibility factors (such as income, assets, and living arrangements) to determine if SSI recipients are still eligible for the program and are receiving the correct payment amount. SSA estimated that the number of CDRs scheduled for FY2017 will result in net federal program savings (OASDI, SSI, Medicare, and Medicaid) over a 10-year period of about $8 on average for every $1 appropriated for program integrity funding. Likewise, the agency estimated that the level of SSI redeterminations scheduled for the fiscal year will

[38] SSA, FY2017 Budget Justification, pp. 96-98.

[39] Ibid.

result in net federal program savings over 10 years of about $3 on average for every $1 budgeted for program integrity funding.[40]

Section 101 of the Budget Control Act of 2011 (BCA; P.L. 112-25) amended Section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA; P.L. 99-177) to reestablish discretionary spending limits as part of the annual appropriations process.[41] The BBEDCA permits the limits (often called *caps*) to be adjusted for certain purposes, one of which is program integrity work related to SSA's disability programs.[42] Specifically, Section 251(b)(2)(B) of the BBEDCA allows the spending caps to be increased for FY2012 through FY2021 by the amount by which funds appropriated to SSA for CDRs and SSI redeterminations for a fiscal year exceed $273 million, up to a specified maximum level for that fiscal year.[43] Section 815 of the Bipartisan Budget Act of 2015 (BBA 2015; P.L. 114-74) amended SSA's cap adjustment levels in the BBEDCA to permit higher maximum adjustments for FY2017 through FY2019 and a lower maximum adjustment in FY2021 (**Table 5**). The FY2017 President's budget request for $1.819 billion in program integrity funding included the base amount of $273 million and the full cap adjustment of $1.546 billion authorized under the BBEDCA for FY2017.

Table 5. Maximum Adjustments to Discretionary Spending Caps for SSA Program Integrity Work Under Prior Law and Under the Bipartisan Budget Act of 2015

(in thousands of dollars)

Fiscal Year	Cap Adjustment Under Prior Law	Cap Adjustment Under the BBA 2015	Change in Cap Adjustment
2012	$623,000	$623,000	-
2013	751,000	751,000	-
2014	924,000	924,000	-
2015	1,123,000	1,123,000	-
2016	1,166,000	1,166,000	-
2017	1,309,000	1,546,000	$237,000
2018	1,309,000	1,462,000	153,000
2019	1,309,000	1,410,000	101,000
2020	1,309,000	1,309,000	0
2021	1,309,000	1,302,000	-7,000
Net Change	-	-	**$484,000**

Source: CRS, based on Section 101 of the Budget Control Act of 2011 (BCA; P.L. 112-25) and Section 815 of the Bipartisan Budget Act of 2015 (BBA 2015; P.L. 114-74).

Notes: Maximum annual adjustments to discretionary spending caps for SSA-related program integrity activities are set in 2 U.S.C. §901(b)(2)(B).

[40] SSA, FY2017 Budget Justification, p. 110.

[41] See CRS Report RL34424, *The Budget Control Act and Trends in Discretionary Spending*, and CRS Report R42506, *The Budget Control Act of 2011 as Amended: Budgetary Effects*.

[42] For more information, see Letter from Douglas W. Elmendorf, Director of the U.S. Congressional Budget Office, to the Honorable John A. Boehner, Speaker of the U.S. House of Representatives, and to the Honorable Harry Reid, Majority Leader of the U.S. Senate, August 1, 2011, https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/123xx/doc12357/budgetcontrolactaug1.pdf.

[43] 2 U.S.C. §901(b)(2)(B).

In addition to modifying SSA's cap adjustment levels in the BBEDCA, the BBA 2015 expanded the types of program integrity activities for which cap adjustment funding may be used to include cooperative disability investigation (CDI) units and fraud prosecutions by Special Assistant United States Attorneys (SAUSAs). The CDI program is a multiagency effort between SSA, the Office of the Inspector General (OIG), state Disability Determination Services (DDS) agencies, and state and local law enforcement agencies to investigate initial disability claims and post-entitlement events involving suspected fraud.[44] SAUSAs are attorneys from SSA's Office of the General Counsel who are dedicated to prosecuting fraud cases referred by the OIG that otherwise would not be prosecuted in federal court.[45]

Furthermore, the BBA 2015 clarified that the term *continuing disability reviews* includes work CDRs, which are reviews of disabled Social Security beneficiaries to determine if their earnings and related work activity are within applicable limits and if benefits should continue.

User Fees

The FY2017 President's budget included a request for $127 million in LAE appropriations from two SSA-collected user fees for certain administrative activities. The first user fee is for SSA's administration of SSI state supplementation programs.[46] As noted earlier, some states supplement federal SSI benefits with state supplementary payments (SSPs) that are made solely with state funds. States that elect federal administration of their supplementation program reimburse SSA for the cost of the SSPs that the agency makes to eligible recipients on behalf of the state. Since FY1994, SSA has charged participating states for the cost of administering their program by assessing a user fee on each SSP made by the agency based on a fee schedule prescribed in federal law.[47] The user fee is $11.68 per SSP in FY2017.[48] The first $5.00 of each fee is credited to the Treasury's general fund, and the amount of the fee above $5.00 is credited to the Treasury's account for SSI state supplement user fees. Federal law permits the credited funds to be made available for obligation to the extent and in the amount provided in advance in appropriations acts. The FY2017 President's budget request for SSI state supplement user fees was $126 million.

The second user fee is for SSA's administration of the certification process for nonattorney representatives to qualify for direct fee withholding. Individuals applying for Social Security or SSI benefits may appoint an attorney or qualified nonattorney to represent them through the adjudicative process.[49] If a claimant is successful and entitled to past-due benefits, the appointed representative may be eligible to receive direct payment of his or her fee out of the claimant's past-due benefits. The Social Security Act requires nonattorney representatives to meet certain prerequisites to qualify for direct fee withholding, such as passing a written examination as well as a criminal background check.[50] Section 303(c) of the Social Security Protection Act of 2004

[44] For more information on cooperative disability investigations (CDI) units, see SSA, Office of the Inspector General (OIG), "Cooperative Disability Investigations (CDI)," http://oig.ssa.gov/cooperative-disability-investigations-cdi.

[45] For more information on Special Assistant U.S. Attorney and SSA fraud prosecutions, see SSA, *Social Security Administration Fiscal Year 2015 Bipartisan Budget Act of 2015 Section 845(a) Report*, 2016, pp. 5-6, https://www.ssa.gov/budget/FY17Files/2017FCJ.pdf.

[46] States may elect federal administration of mandatory state supplementary payments (SSPs), optional SSPs, or both. SSA administers SSPs for 20 states and the District of Columbia.

[47] Section 1616(d) of the Social Security Act (42 U.S.C. §1382e[d]) and Section 212(b)(3) of P.L. 93-66.

[48] SSA, Office of the Chief Actuary (OCACT), "Fee for Administration of State Supplementary Payments," https://www.ssa.gov/oact/cola/statesuppfee.html.

[49] SSA, *The Appeals Process*, Publication No. 05-10041, March 2015, https://www.ssa.gov/pubs/EN-05-10041.pdf.

[50] Section 206(e)(2) of the Social Security Act; 42 U.S.C. §406(e)(2).

(P.L. 108-203) permits SSA to assess nonattorney representatives reasonable fees to cover the cost of administering these prerequisites. User fees collected from nonattorney representatives are made available for obligation to the extent and in the amount provided in advance in appropriations acts.[51] The FY2017 President's budget request for user fees charged to nonattorney representatives was $1 million.

Office of Inspector General

The OIG investigates fraud, waste, and abuse within SSA's programs, in addition to auditing the agency's ability to carry out the programs effectively and efficiently.[52] It 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. Funding for the OIG is provided through discretionary appropriations to a separate administrative account. The FY2017 President's budget request for the OIG account was $112 million, which is $6.5 million (or 6.2%) more than the amount enacted for FY2016 (**Table 6**). Of this amount, $31 million was from general revenues and $81 million was from the OASI and DI trust funds, as authorized by Section 201(g)(1) of the Social Security Act[53] for costs associated with the OASI and SSDI programs.[54]

Table 6. Comparison of the FY2017 President's Budget Request and the FY2016 Enacted Appropriation for the OIG Account

(in thousands of dollars)

Appropriation	FY2016 Enacted	FY2017 President's Budget Request	FY2016 to FY2017 Change	
			Amount	Percentage
General Revenues	$29,787	$31,000	$1,213	4.1%
OASI and DI Trust Funds	75,713	81,000	5,287	7.0
Total OIG	**$105,500**	**$112,000**	**$6,500**	**6.2%**

Source: CRS, based on SSA, FY2017 Budget Justification, Table 4.3, p. 196.

FY2017 Commissioner's Budget Request

SSA became an independent federal agency on March 31, 1995, following the enactment of the Social Security Independence and Program Improvements Act of 1994 (P.L. 103-296).[55] Section 104(a) of the act granted the Commissioner of Social Security the authority to submit to Congress, without revision, an annual budget for SSA.[56] This budget request is independent of the President's budget request for the agency and generally includes a request for administrative

[51] Section 206(e)(3) of the Social Security Act; 42 U.S.C. §406(e)(3).

[52] See SSA, OIG, "What is Fraud, Waste, or Abuse?," https://oig.ssa.gov/what-abuse-fraud-and-waste.

[53] 42 U.S.C. §401(g)(1).

[54] SSA, FY2017 Budget Justification, p. 196.

[55] For more information on the agency's history, see SSA, "Social Security History: Organization History," https://www.ssa.gov/history/orghist.html.

[56] Section 704(b) of the Social Security Act; 42 U.S.C. §904(b).

expenses and a request for the OIG. The Commissioner's budget request is included at the end of SSA's section in the appendix to the President's budget.[57]

The FY2017 Commissioner's budget request for total administrative discretionary resources was $13.859 billion, which represents $13.610 billion for administrative expenses, $128 million for research, and $121 million for the OIG.[58] Administrative expenses included $13.079 billion in LAE funding and $531 million in no-year funding for various initiatives.[59] The FY2017 President's budget request for LAE funding is $12 million (or 0.1%) less than the FY2017 Commissioner's budget request. In addition, the FY2017 President's budget request for the OIG is $9 million (or 7.4%) less than the FY2017 Commissioner's budget request.

Congressional Action on a Stand-alone FY2017 LHHS Bill[60]

FY2017 LHHS Action in the House

On July 14, 2016, the House Committee on Appropriations approved its FY2017 LHHS appropriations bill (H.R. 5926) by a vote of 31 to 19.[61] The House bill would have provided $11.899 billion for SSA's LAE account, which was $1.168 billion (or 8.9%) less than the amount in the FY2017 President's budget request and was $263 million (or 2.2%) less than the amount enacted for FY2016 (**Table 7**). Excluding the one-time cost of $150 million authorized in the FY2016 omnibus for renovating and modernizing the Arthur J. Altmeyer Building, the House bill would have provided $113 million (or 0.9%) less than the FY2016 enacted appropriation for the LAE account. In addition, the House bill would have provided $393 million less in cap adjustment funding for program integrity work permitted under the BBEDCA for FY2017 (see **Table 5** and **Table 7**). Lastly, the House bill would have provided $105.5 million for the OIG account, which was the same amount that was enacted for FY2016.

FY2017 LHHS Action in the Senate

On June 9, 2016, the Senate Committee on Appropriations approved its FY2017 LHHS appropriations bill (S. 3040) by a vote of 29 to 1.[62] The Senate bill would have provided $12.482 billion for SSA's LAE account, which is $585 million (or 4.5%) less than the amount in the FY2017 President's budget request but is $320 million (or 2.6%) more than the amount enacted for FY2016 (**Table 7**). Excluding the one-time cost of $150 million authorized in the FY2016 omnibus for renovating and modernizing the Arthur J. Altmeyer Building, the Senate bill would have provided $470 million (or 3.9%) more than the FY2016 enacted appropriation for the LAE

[57] OMB, *Appendix, Budget of the U.S. Government, Fiscal Year 2017*, February 2016, p. 1236, https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/ssa.pdf.

[58] Ibid.

[59] The FY2017 Commissioner's budget request for administrative expenses includes $300 million in no-year funding for IT modernization, $81 million in no-year funding for Cybersecurity, and $150 million in no-year funding for renovating and modernizing the Arthur J. Altmeyer Building. Information provided to CRS by SSA on August 26, 2016.

[60] See CRS Report R44478, *FY2017 Labor-HHS-Education Appropriations: Status and Issues*.

[61] U.S. Congress, House Committee on Appropriations, *Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Bill, 2017*, report to accompany H.R. 5926, 114th Cong., 2nd sess., July 22, 2016, H.Rept. 114-699 (Washington: GPO, 2016), p. 214.

[62] U.S. Congress, Senate Committee on Appropriations, *Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriation Bill, 2017*, report to accompany S. 3040, 114th Cong., 2nd sess., June 9, 2016, S.Rept. 114-274 (Washington: GPO, 2016), p. 218.

account. As with the President's budget request, the Senate bill would have provided the full amount of cap adjustment funding for program integrity work permitted under the BBEDCA for FY2017 (see **Table 5** and **Table 7**). The Senate bill would have also provided $105.5 million for the OIG account, which is the same amount that was enacted for FY2016.

FY2017 Continuing Resolutions

On September 29, 2016, President Barack Obama signed into law the Continuing Appropriations and Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2017, and Zika Response and Preparedness Act (H.R. 5325; P.L. 114-223), which contained the Continuing Appropriations Act, 2017 (Division C).[63] The day before, H.R. 5325 was passed in the Senate by a vote of 72-26 and in the House by a vote of 342-85. The first FY2017 continuing resolution (CR) provided continuing appropriations for 11 of the 12 annual appropriations bills (including the LHHS appropriations bill) through December 9, 2016. In general, discretionary accounts covered by the first FY2017 CR were funded at the same rate and under the same conditions as they were in the FY2016 omnibus, minus an across-the-board (ATB) rescission of 0.496%. However, funding dedicated to SSA's program integrity work was exempt from the ATB rescission.

On December 10, 2016, President Obama signed into law the Further Continuing and Security Assistance Appropriations Act, 2017 (H.R. 2028; P.L. 114-254).[64] The bill was passed in the House on December 8 by a vote of 326-96 and in the Senate on December 9 by a vote of 63-36. The second FY2017 CR provided continuing appropriations for 11 of the 12 annual appropriations bills (including the LHHS appropriations bill) through April 28, 2017. In general, as was the case with the first FY2017 CR, discretionary accounts covered by the second FY2017 CR were funded at the same rate and under the same conditions as they were in the FY2016 omnibus, minus an ATB rescission. However, instead of an ATB reduction of 0.496% (per the first FY2017 CR), the reduction in the second FY2017 CR was 0.1901%. Similar to the first CR, SSA's program integrity work was exempt from the ATB rescission. In addition, Section 172 of the second FY2017 CR set aside $150 million in the LAE account to address the hearings backlog within SSA's Office of Disability Adjudication and Review (ODAR).[65]

On April 28, 2017, President Trump signed into law a third FY2017 CR (H.J.Res. 99; P.L. 115-30). The House passed the bill by a vote of 382-30, and the Senate passed the bill by voice vote. The short-term CR continued funding under the terms of the previous CR through May 5, 2017.

FY2017 Omnibus

On May 5, 2017, President Trump signed into law the Consolidated Appropriations Act, 2017 (H.R. 244; P.L. 115-31). The bill was passed in the House on May 3 by a vote of 309-118 and in

[63] CRS Report R44653, *Overview of Continuing Appropriations for FY2017 (H.R. 5325)*.

[64] CRS Report R44723, *Overview of Further Continuing Appropriations for FY2017 (H.R. 2028)*.

[65] The background on this set aside is that the base LAE appropriation for FY2016 set aside $150 million to cover the cost of renovating and modernizing the Arthur J. Altmeyer Building. Under the terms and conditions of the second FY2017 CR, the base LAE appropriation for FY2017 would also have contained a new $150 million set aside (on an annualized basis) for the Altmeyer Building. Instead, Section 172 of P.L. 114-254 repurposed that $150 million for activities to address the disability hearings backlog. OMB originally requested that the second FY2017 CR provide an additional $157 million on top of the $10.599 billion base LAE appropriation for FY2016 to address the hearings backlog ($10.756 billion total). See *CQ Hot Docs*, "FY 2017 Continuing Resolution (CR) Appropriations Issues (anomalies required for a CR through March)," p. 13.

the Senate on May 4 by a vote of 79-18. It provides continuing appropriations for 11 of the 12 annual appropriations bills (including the LHHS appropriations bill) through September 30, 2017. Under Title IV of Division H of the FY2017 omnibus, SSA's discretionary appropriations are $12.428 billion for the LAE account and $105.5 million for the OIG account. $1.819 billion of the LAE appropriation is for program integrity activities, which is composed of $273 million in base funding and $1.546 billion in cap adjustment funding. (This amount is the maximum cap adjustment permitted under the BBEDCA for FY2017; see **Table 5**.) As shown in **Table 7**, the totals and subtotals for the LAE and OIG accounts under the FY2017 omnibus are the same as the amounts passed by the Senate Committee on Appropriations for FY2017.

The FY2017 appropriation for the LAE account includes a number of changes in the methodology for allocating funds as well as the use of those funds. First, the FY2017 omnibus provides a combined amount for the base LAE and program integrity work: $12.358 billion. The legislative language in the FY2017 omnibus specifies that $1.819 billion of the combined appropriation is dedicated for program integrity work. Thus, the base LAE amount is $12.358 billion *minus* $1.819 billion, which equals $10.539 billion. Second, unlike in past years, the appropriation for program integrity work is made available through the first half of the next fiscal year; in this case, through FY2018 (i.e., through March 31, 2018). Third, the FY2017 omnibus authorizes funding dedicated to program integrity work to be used for CDI units and costs associated with the prosecution of fraud by SAUSAs. Although the BBA 2015 authorized cap adjustment funding for program integrity work to be used for such activities, the Consolidated Appropriations Act, 2016 (P.L. 114-113) specified that program integrity funding could be used only for CDRs and SSI nonmedical redeterminations for eligibility.

The FY2017 omnibus provides $90 million from the LAE account to address the disability hearings backlog, which is 40% less than the $150 million authorized for such activities in the second FY2017 CR. However, unlike the second FY2017 CR, the FY2017 omnibus provides funding for the backlog through the end of the next fiscal year; in this case, through FY2018 (i.e., through September 30, 2018).

Table 7. Comparison of FY2016 Enacted Appropriations, FY2017 President's Budget Request, FY2017 Amounts Passed by the House and Senate Committees on Appropriations, and the FY2017 Omnibus for the LAE and OIG Accounts

(in thousands of dollars)

Appropriation	FY2016 Enacted	FY2017 President's Budget Request	FY2017 House Committee	FY2017 Senate Committee	FY2017 Omnibus[a]
Limitation on Administrative Expenses (LAE)					
Base LAE	$10,598,945	$11,121,000	$10,348,945	$10,538,945	$10,538,945
Program Integrity (total)	1,426,000	1,819,000	1,426,000	1,819,000	1,819,000
Base Amount	*273,000*	*273,000*	*273,000*	*273,000*	*273,000*
Cap Adjustment	*1,153,000*	*1,546,000*	*1,153,000*	*1,546,000*	*1,546,000*
SSI State Supplement User Fees	136,000	126,000[b]	123,000	123,000	123,000
Nonattorney Representative User Fees	1,000	1,000	1,000[c]	1,000	1,000
Total LAE	**$12,161,945**	**$13,067,000**	**$11,898,945**	**$12,481,945**	**$12,481,945**
Office of Inspector General (OIG)					
General Revenues	$29,787	$31,000	$29,787	$29,787	$29,787
OASI and DI Trust Funds	75,713	81,000	75,713	75,713	$75,713
Total OIG	**$105,500**	**$112,000**	**$105,500**	**$105,500**	**$105,500**

Source: CRS, based on the Obama Administration's FY2017 President's budget request, the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2017 (H.R. 5926 and S. 3040), and the Consolidated Appropriations Act, 2017 (H.R. 244; P.L. 115-31).

Notes: CR = Continuing Resolution. Amounts shown do not take into account scorekeeping adjustments made by the Congressional Budget Office (CBO) to reflect conventions and special instructions of Congress. Totals for the CRs may not equal subtotals due to rounding.

a. Unlike in past years, the FY2017 omnibus provides a combined amount for the base limitation on administrative expenses (LAE) account and program integrity funding: $12,357,945,000. The legislative language in the FY2017 omnibus specifies that of this amount, $1,819,000,000 is for program integrity work. Thus, the base LAE amount is $12,357,945,000 *minus* 1,819,000,000, which equals $10,538,945,000.

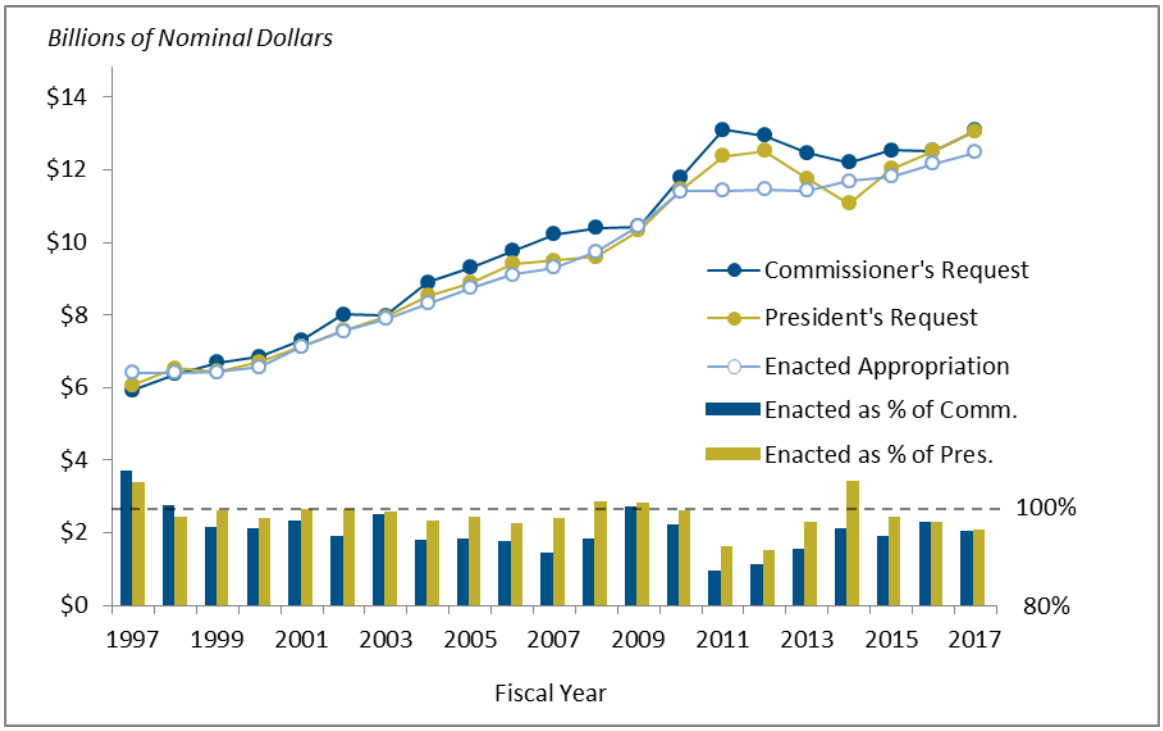
b. The reports accompanying H.R. 5926 and S. 3040 apply a -$3 million CBO adjustment to this amount ($123 million total).

c. The report accompanying H.R. 5926 applies a -$1 million CBO adjustment to this amount ($0 total).

Trends in the Budget Request and the Appropriation for SSA's LAE Account

Since SSA became an independent agency, the Commissioner's budget request for the LAE account has exceeded the President's budget request in nominal (i.e., unadjusted) dollars for all but two fiscal years: FY1997 and FY1998 (**Figure 3**). After taking into account all rescissions, except rescissions of no-year information technology systems funds, the enacted appropriation for the LAE account exceeded the Commissioner's budget request only for FY1997, FY1998, and FY2009. The enacted appropriation exceeded the President's budget request only for FY1997, FY2008, FY2009, and FY2014.

Figure 3. Annual Budget Request and Appropriation for SSA's LAE Account, FY1997-FY2017



Source: CRS, based on data from each fiscal year's President's budget request, enacted appropriation for SSA's LAE account, and information provided to CRS by SSA.

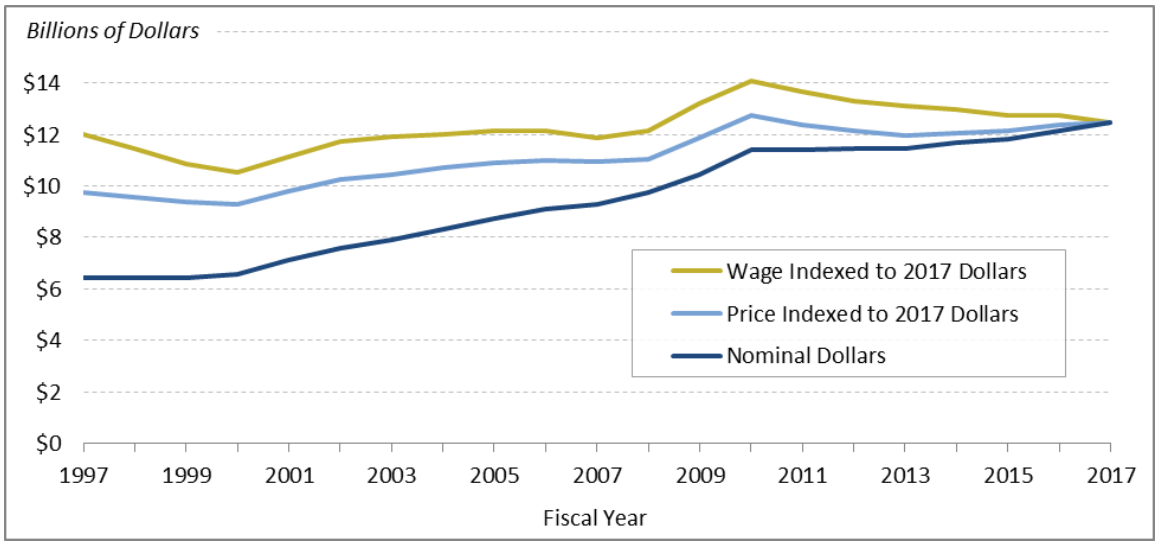
Notes: The "Commissioner's Request" excludes funding for research and demonstrations, no-year funding, and funding related to the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (P.L. 108-173) for FY2006. (SSA could not verify no-year funding for FY1998 and FY1999.) The "President's Request" excludes funding associated with the legislative request to create a dedicated source of mandatory program integrity funding for FY2014. The "Enacted Appropriation" includes all rescissions, except rescissions of no-year information technology systems funds; it excludes supplemental appropriations and reductions due to sequestration. The enacted appropriation for FY2016 includes $150 million for one-time costs associated with renovating and modernizing the Arthur J. Altmeyer Building. SSA became an independent agency in 1995 and first submitted a Commissioner's budget for FY1997.

Please note that the FY2014 President's budget request included a legislative proposal for a dedicated source of mandatory funding for program integrity work instead of a request for discretionary base and cap adjustment funding. If the funding associated with this legislative

proposal had been included in the LAE, then the enacted appropriation for FY2014 would have been less than the President's budget request.[66]

Figure 4 shows historical trends in the annual appropriation for SSA's LAE account using three measures: (1) nominal dollars, (2) price-indexed dollars, and (3) wage-indexed dollars. The lower line labeled "Nominal Dollars" shows a steady increase in the appropriation for the LAE account over the past 20 years, although the rate of this increase has slowed since FY2010.

Figure 4. Annual Appropriation for SSA's LAE Account, Adjusted for Price and Wage Growth, FY1997-FY2017



Source: CRS, based on each fiscal year's appropriation for SSA's LAE account.

Notes: Appropriations include all rescissions, except for rescissions of no-year information technology systems funds; they exclude supplemental appropriations as well as reductions due to sequestration. The enacted appropriation for FY2016 includes $150 million for one-time costs associated with renovating and modernizing the Arthur J. Altmeyer Building. The line labeled "Price Indexed to 2017 Dollars" is indexed to the Consumer Price Index for All Urban Consumers (CPI-U). The line labeled "Wage Indexed to 2017 Dollars" is indexed to SSA's Average Wage Index (AWI) in Table VI.G6 of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, *The 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, June 22, 2016.

The middle line in **Figure 4** labeled "Price Indexed to 2017 Dollars" shows the trend in SSA's LAE appropriation adjusted for changes in prices, as measured by the Consumer Price Index for All Urban Consumers (CPI-U). Although the price-indexed line is flatter than the nominal line, there is a noticeable rise in the appropriation for SSA's LAE account during the FY2000s. Between FY2010 and FY2013, however, the value of appropriation declines in real terms, only to increase through FY2017.

Another method for examining historical trends in SSA's LAE account is to adjust the annual appropriation for wage growth. The majority of SSA's administrative budget is obligated for payroll expenses, which include pay raises due to step increases, promotions, and cost-of-living adjustments.[67] Because wages tend to grow faster than prices, annual increases in payroll

[66] For more information on this legislative proposal, see SSA, *Justification of Estimates for Appropriations Committees, Fiscal Year 2014*, April 2013, p. 95, http://ssa.gov/budget/FY14Files/2014AE.pdf.

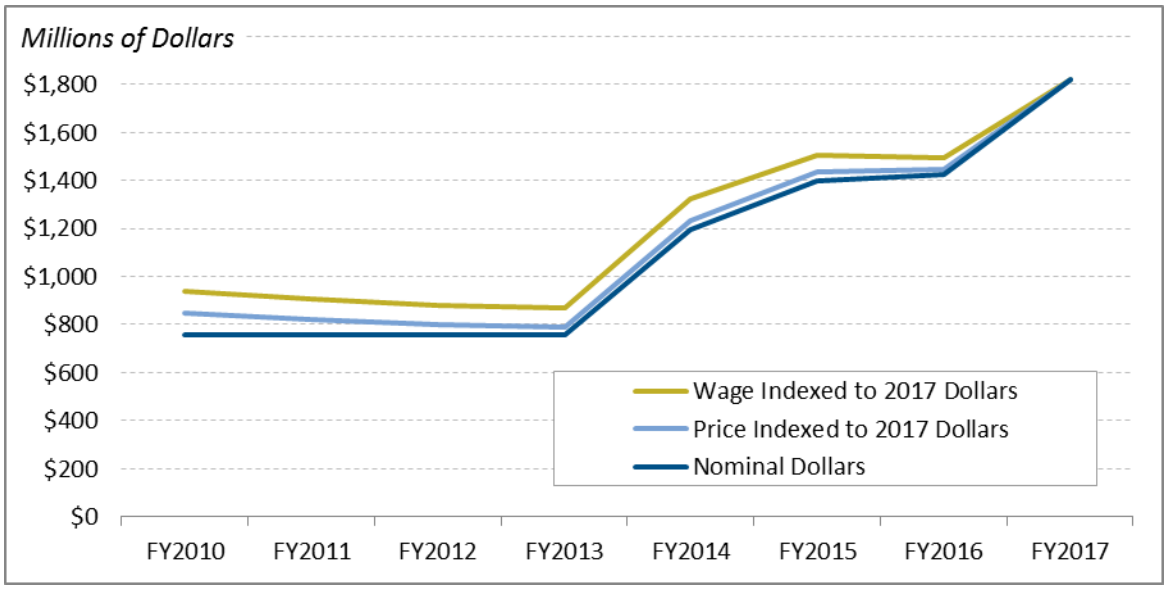
[67] SSA, FY2017 Budget Justification, Table 3.11, pp. 134-135.

expenses, which are largely fixed costs, can increase an agency's administrative expenses faster than the rate of inflation.[68] According to SSA, the agency's fixed costs typically grow at a rate of $300-$350 million per year.[69] The top line in **Figure 4** labeled "Wage Indexed to 2017 Dollars" shows the trend in the appropriation for SSA's LAE account adjusted for changes in wages, as measured by SSA's Average Wage Index (AWI).[70] The wage-indexed line shows a steady decline in the value of the LAE appropriation in real terms from FY2010 to FY2015, followed by a slight increase in FY2016 and then a small decrease in FY2017.[71]

Recent Changes in the Composition of the LAE Appropriation and Effects on SSA's Workloads

The recent nominal growth in the annual appropriation for SSA's LAE account stems from increases in funding authorized specifically for program integrity work. Between FY2010 and FY2017, the amount of the LAE appropriation dedicated to program integrity work increased by 140%, from $758 million to $1.819 billion (**Figure 5**).

Figure 5. Dedicated Program Integrity Funding, Adjusted for Price and Wage Growth, FY2010-FY2017



Source: CRS, based on each fiscal year's appropriation for SSA's LAE account.

Notes: Dedicated program integrity funding includes base funding provided to meet Section 251(b)(2)(B) of the BBEDCA and cap adjustment funding pursuant to annual limits specified in the act. The line labeled "Price

[68] See the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, *The 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, June 22, 2016, Table V.B1, Single Year Tables, https://www.ssa.gov/oact/tr/2016/lr5b1.html.

[69] Unpublished SSA document, June 22, 2016.

[70] SSA, OCACT, "National Average Wage Index," https://www.ssa.gov/oact/cola/AWI.html.

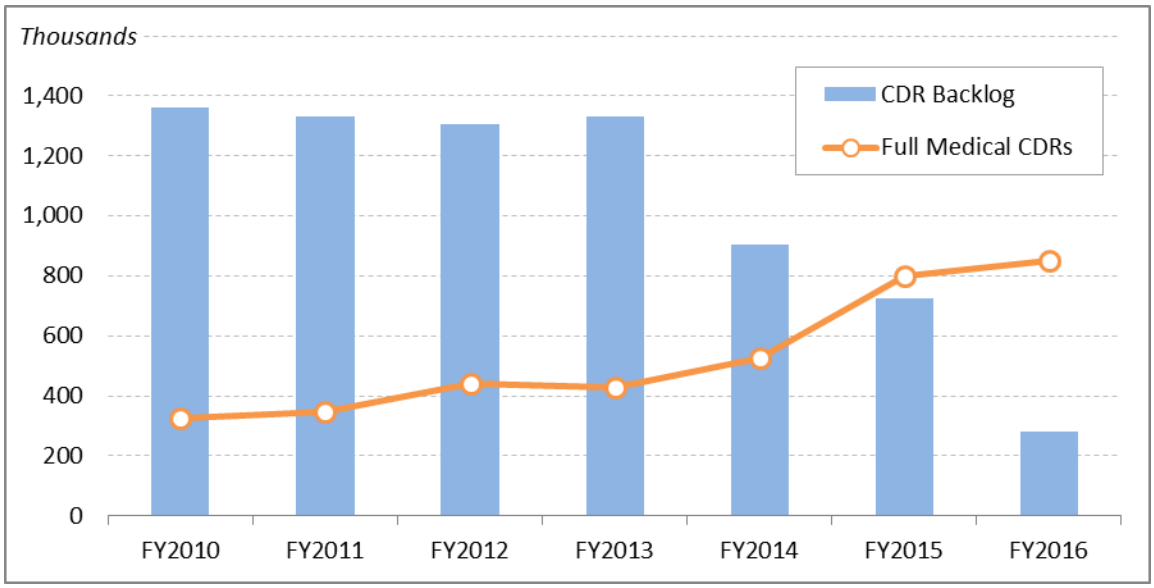
[71] The slight increase in the LAE appropriation for FY2016 is due, in part, to an increase in funding to cover one-time costs associated with the renovations and modernization of the Arthur J. Altmeyer Building.

Indexed to 2017 Dollars" is indexed to the CPI-U. The line labeled "Wage Indexed to 2017 Dollars" is indexed to the intermediate assumptions used for SSA's AWI in the 2016 Social Security Trustees Report.

Program integrity funding includes base funding provided to meet Section 251(b)(2)(B) of the BBEDCA and cap adjustment funding pursuant to annual limits specified in the act. When adjusted for price and wage growth over this period, SSA's program integrity funding grew by 115% and 94%, respectively.

The increases in dedicated program integrity funding have allowed SSA to hire more federal and DDS employees to conduct additional full medical CDRs. Between FY2010 and FY2016, the number of CDRs processed by SSA increased by 162%, from 324,500 to 850,000 (**Figure 6**).[72] During this period, the CDR backlog declined by 79%, from 1.361 million pending reviews in FY2010 to about 280,000 in FY2016.[73]

Figure 6. Number of Full Medical CDRs Conducted by SSA and the End-of-the-Year CDR Backlog, FY2010-FY2016



Source: CRS, based on data in Office of the Inspector General (OIG), *The Social Security Administration's Completion of Program Integrity Workloads*, A-07-14-24071, August 18, 2014, https://oig.ssa.gov/audits-and-investigations/audit-reports/A-07-14-24071; SSA, *Agency Financial Report, Fiscal Year 2015*, November 9, 2015; and SSA, *Agency Financial Report, Fiscal Year 2016*, November 9, 2016, https://www.ssa.gov/finance/.

However, as shown in **Figure 7**, the amount of the LAE appropriation available for other core workloads has essentially remained flat, increasing by 0.2% in nominal terms, from $10.642 billion in FY2010 to $10.663 billion in FY2017.[74] *General LAE funding* refers to LAE funding not dedicated to program integrity work, that is, the base LAE appropriation and funding from

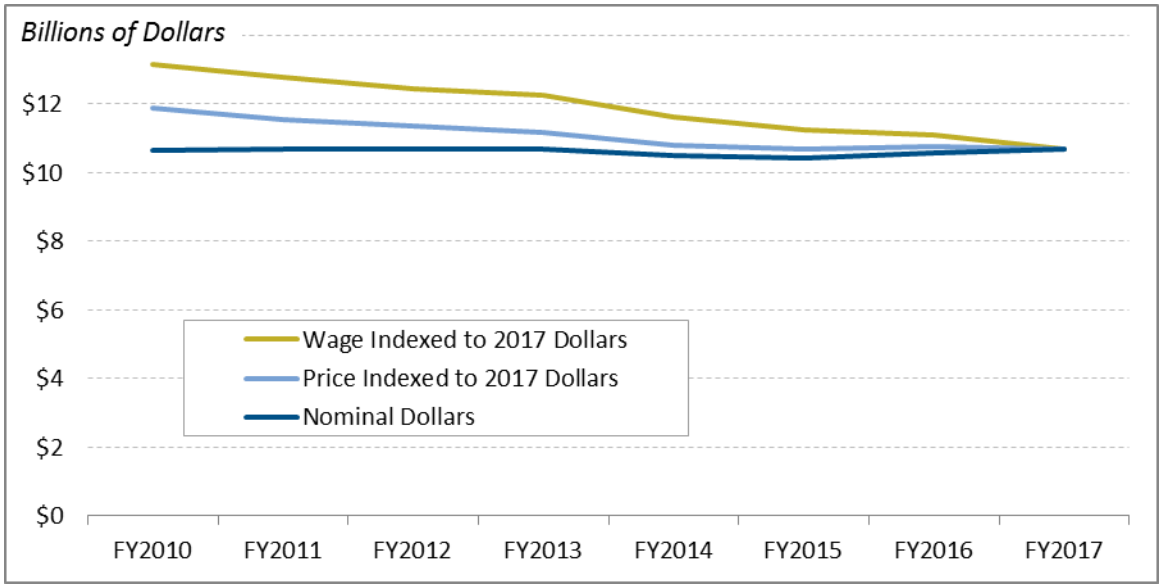
[72] SSA, OIG, *The Social Security Administration's Completion of Program Integrity Workloads*, A-07-14-24071, August 18, 2014, https://oig.ssa.gov/audits-and-investigations/audit-reports/A-07-14-24071; SSA, *Agency Financial Report, Fiscal Year 2015*, November 9, 2015; and SSA, *Agency Financial Report, Fiscal Year 2016*, November 9, 2016, https://www.ssa.gov/finance/.

[73] Ibid.

[74] General LAE funding for FY2017 includes the $90 million set aside to address the disability hearings backlog.

user fees paid to SSA for certain administrative activities.[75] When adjusted for price and wage growth over this period, general LAE funding fell by 10% and 19%, respectively.

Figure 7. LAE Funding Not Dedicated to Program Integrity Work, Adjusted for Price and Wage Growth, FY2010-FY2017



Source: CRS, based on each fiscal year's appropriation for SSA's LAE account.

Notes: Appropriations include all rescissions, except for rescissions of no-year information technology systems funds; they exclude supplemental appropriations as well as reductions due to sequestration. General LAE funding includes the base LAE appropriation and funding from user fees paid to SSA for certain administrative activities. General LAE funding for FY2016 excludes $150 million for the renovations and modernization of the Arthur J. Altmeyer Building. (Please note that **Figure 3** and **Figure 4** include the $150 million.) The line labeled "Price Indexed to 2017 Dollars" is indexed to the CPI-U. The line labeled "Wage Indexed to 2017 Dollars" is indexed to the intermediate assumptions used for SSA's AWI in the 2016 Social Security Trustees Report.

According to SSA and others, the declining real value of the general LAE appropriation has contributed to agency delays in processing other workloads.[76] One of the most publicized issues for SSA over the past several years has been the growing number of pending disability cases at the hearing level of the administrative appeals process.[77] From the end of FY2010 to the end of

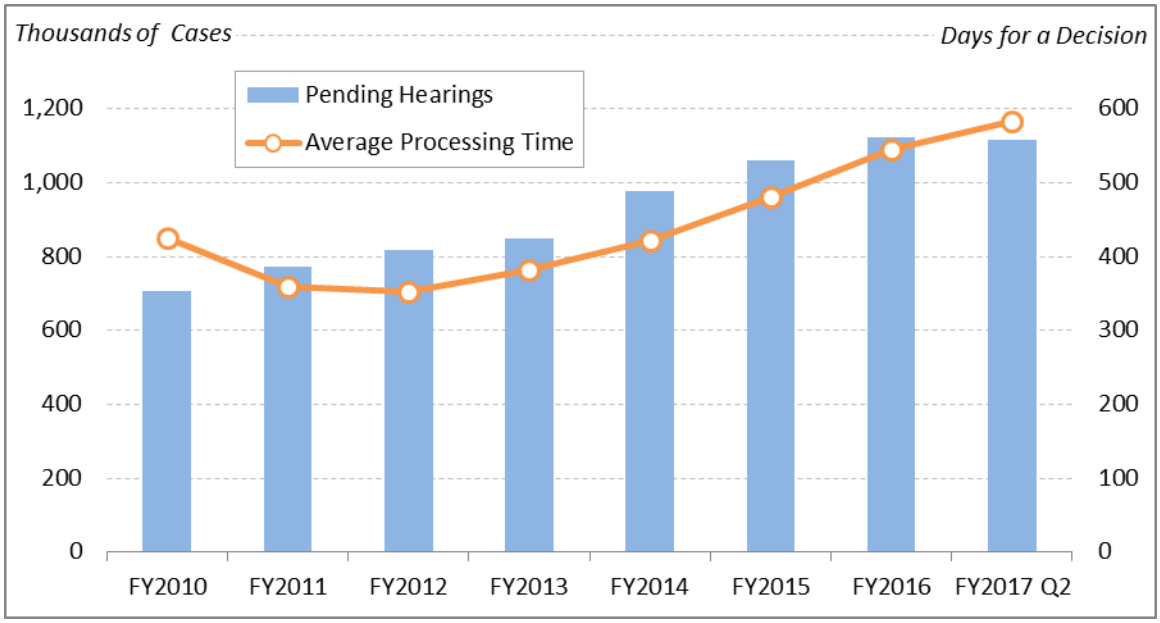
[75] General LAE funding includes a small amount of funding for indirect costs associated with conducting CDRs and SSI redeterminations. Related LAE funding (i.e., funding from the base LAE appropriation for program integrity work) was $102 million in FY2014 and $9 million in FY2015. SSA projects that related LAE funding for program integrity work in FY2016 will be $100 million. For more information, see SSA, FY2017 Budget Justification, Table 3.8, p. 131 and SSA, *Justification of Estimates for Appropriations Committees, Fiscal Year 2016*, February 2015, Table 3.8, p. 115.

[76] Unpublished SSA document, June 22, 2016 and SSA, *FY2017 Budget Overview*, p. 1, https://www.ssa.gov/budget/FY17Files/2017BO.pdf. See also Eric Katz, "Social Security Warns of Furloughs, Service Cuts if Congress Enacts Proposed Funding," *Government Executive*, August 9, 2016, http://www.govexec.com/pay-benefits/2016/08/ssa-warns-furloughs-service-cuts-if-congress-enacts-current-proposed-funding/130618/?oref=top-story. Moreover, see Kathleen Romig, *Budget Cuts Squeeze Social Security Administration Even as Workloads Reach Record Highs*, Center on Budget and Policy Priorities, June 3, 2016, http://www.cbpp.org/sites/default/files/atoms/files/6-3-16socsec.pdf.

[77] Henry Aaron and Lanhee Chen, "How to fix the backlog of disability claims," *Politico*, March 1, 2016, http://www.politico.com/agenda/story/2016/03/how-to-fix-the-backlog-of-disability-claims-000056. At the end of FY2015, more than 99% of all pending hearings were for SSDI, SSI, or concurrent cases. See SSA, *Annual Statistical Supplement, 2016*, Table 2.F9, https://www.ssa.gov/policy/docs/statcomps/supplement/.

the second quarter of FY2017, the number of pending hearings grew by 58%, from 705,400 to 1.12 million (**Figure 8**; left axis).[78] During that same period, the average wait time for a hearing decision increased by 37%, from 426 days to 583 days (**Figure 8**; right axis).

Figure 8. Number of Pending Hearings and Average Processing Time for Hearings Decisions, FY2010-FY2017 Q2



Source: CRS, based on data from SSA, "Hearings and Appeals," May 3, 2017, https://www.ssa.gov/appeals/.

At a hearing before the Senate Special Committee on Aging, a SSA official stated that

> The House appropriations bill, if enacted, would cut the agency's base administrative funding below the FY 2016 enacted level and result in serious degradation of service. For example, at such low funding levels, we could face up to two weeks of employee furloughs, when our field offices could be closed to the public. The Senate appropriation bill, while higher than the House bill, would still fall short of providing us the funding to serve record numbers of claimants and beneficiaries.[79]

The reports accompanying the House and Senate bills do not provide an explicit rationale for each committee's FY2017 funding level. However, in enacting the FY2017 omnibus, it would seem that Congress believes that the Senate's FY2017 funding level is sufficient for SSA to perform its non-program integrity responsibilities.

[78] SSA, "Hearings and Appeals," May 3, 2017, https://www.ssa.gov/appeals/. SSA defines *hearings backlog* as the number of pending cases that push the average wait time over 270 days. Of the 1,116,624 pending hearings at the end of the second quarter of FY2017, 670,863 (or 60%) were pending for more than 270 days.

[79] Testimony of Virginia P. Reno, Deputy Commissioner for Retirement and Disability Policy, SSA, in U.S. Congress, Senate Special Committee on Aging, *Maximizing Your Social Security Benefits: What You Need to Know*, 114th Cong., 2nd sess., September 14, 2016, http://www.aging.senate.gov/hearings/maximizing-your-social-security-benefits-what-you-need-to-know.

Appendix. Summary of the FY2016 Budget Request and Appropriations for the LAE and OIG Accounts

The FY2016 LHHS appropriations bill was passed as Division H of the Consolidated Appropriations Act, 2016 (P.L. 114-113) on December 18, 2015.[80] The total FY2016 appropriation for SSA's LAE account was $12.162 billion, which was $352 million (or 2.8%) less than the amount requested in the President's budget for that year but was $356 million (or 3.0%) more than the amount enacted for FY2015 (**Table A-1**). The enacted appropriation for the LAE account provided $13 million less in cap adjustment funding for program integrity work than was permitted under the BBEDCA for FY2016 (see **Table 5**). The FY2016 appropriation for the OIG account was $4.3 million (or 3.9%) less than the FY2016 President's budget request but was $2.2 million (or 2.1%) more than the amount enacted for FY2015 (**Table A-1**).

Table A-1. FY2016 Appropriations Detail for the LAE and OIG Accounts

(in thousands of dollars)

Appropriation	FY2015 Enacted	FY2016 President's Budget Request	FY2016 House Committee	FY2016 Senate Committee	FY2016 Enacted
Limitation on Administrative Expenses (LAE)					
Base LAE	$10,284,945	$10,937,000	$10,284,945	$10,044,945	$10,598,945
Program Integrity (total)	1,396,000	1,439,000	1,396,000	1,439,000	1,426,000
Base Amount	*273,000*	*273,000*	*273,000*	*273,000*	*273,000*
Cap Adjustment	*1,123,000*	*1,166,000*	*1,123,000*	*1,166,000*	*1,153,000*
SSI State Supplement User Fees	124,000	136,000	136,000	136,000	136,000
Nonattorney Representative User Fees	1,000	1,000	1,000	1,000	1,000
Total LAE	**$11,805,945**	**$12,513,000**	**$11,817,945**	**$11,620,945**	**$12,161,945**
Office of Inspector General (OIG)					
General Revenues	$29,000	$31,000	$30,000	$28,829	$29,787
OASI and DI Trust Funds	74,350	78,795	78,795	74,521	75,713
Total OIG	**$103,350**	**109,795**	**$108,795**	**$103,350**	**$105,500**

Source: CRS, based on the FY2016 President's budget request, the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2016 (H.R. 3020 and S. 1695), and the Consolidated Appropriations Act, 2016 (P.L. 114-113).

[80] See CRS Report R44287, *Labor, Health and Human Services, and Education: FY2016 Appropriations*.

Author Information

William R. Morton
Analyst in Income Security

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.