

American Federation of Government Employees, AFL-CIO
National Council of Social Security Administration Field Operations Locals

STATEMENT BY

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PRESIDENT

BEFORE THE

SENATE APPROPRIATIONS COMMITTEE

FOR THE HEARING CONCERNING

SOCIAL SECURITY ADMINISTRATION BUDGETS FOR FISCAL YEARS 2011 AND 2012

MARCH 9, 2011

Chairman Harkin, Ranking Member Shelby, and members of the Senate Appropriations Subcommittee on Labor, Health and Human Service, Education and Related Agencies, I thank you for the opportunity to present this statement regarding the Limitation on Administrative Expenses (LAE) for the Social Security Administration.

As the President of the American Federation of Government Employees, National Council of SSA Field Operations, AFL-CIO, I speak on behalf of approximately 29,000 Social Security Administration (SSA) employees in over 1300 facilities. These employees work in Field Offices, and Teleservice Centers throughout the country where retirement and disability benefit applications and appeal requests are received, processed, and reviewed.

AFGE thanks the Senate Appropriations Committee for calling this important hearing, at a very critical time, to examine the SSA's budget needs for this year and next year, in order to support the proper administration of our programs. Our employees are very concerned about prospects for furloughs, loss of staff and overtime hours needed to keep up with rapidly expanding workloads, and general deterioration in service delivery. They care deeply about the public they serve, and the continuing uncertainty about future staffing and resources is generating high levels of stress.

Background

During the past three years, with increased staffing and funding, we have substantially reduced disability hearing backlogs and processing times, and turned more of our attention to long-neglected program integrity workloads. However, working without a budget for the past five months, we have been struggling to keep up with rapidly growing requests for face-to-face and telephone service, and we could easily slip back. We are constrained by continuing resolutions that have been funding SSA operations at Fiscal Year 2010 levels, with a freeze on hiring in most parts of the Agency. Our clients are having more difficulty accessing service, waiting times are increasing, and backlogs have developed in initial disability benefit applications. Field Representatives who serve clients who are mobility-impaired or live in remote areas have all but disappeared. SSA Spokesman Mark Hinkle acknowledged that budget pressures have slowly done away with 1500 of the 2000 contact stations that existed in the 1980s.¹ The recession and the aging of the population have created unprecedented demands upon the employees we represent. We are concerned that, if there are further cuts in employee work years, we may be unable to keep up with record

¹ "Social Security ends visits to seniors", Boston Globe, January 12, 2011

numbers of new claims for retirement, survivor, and auxiliary benefits. No matter how people access service, whether face-to-face, by telephone, or via the Internet, our employees need to be on the job to process new applications for benefits, and to ensure that payments are made to the right people, in the right amount, and on time.

Budget Battles

The President proposed \$12.379 billion to fund SSA administrative expenses for fiscal year 2011, and \$12.522 billion for fiscal year 2011. AFGE supports both requests.

The Agency is limited to spending \$11.447 billion, the fiscal year 2010 level with a carryover of \$480 million for a total of \$11.927 billion, under the current continuing resolution.

The House recently passed HR-1, which would cut full year funding to \$11.321 billion. Additionally, HR-1 also includes rescissions of \$500 million from the SSA reserve fund and a special IT appropriation of \$118 million for the National Computer Center. This would provide SSA with \$10.7 billion in overall spending for FY 11. This represents about a **5.5** percent decrease from Fiscal Year 2010 spending levels and would require \$743 million in cuts before October 1, 2011. Such reductions would most likely cease all hiring at the Office of Disability and Adjudicative Review (ODAR), which is currently exempted from present hiring freeze under the CR. Backlogs would escalate very rapidly, improper payments would grow and furloughs of employees could be implemented up to a month. Public service will be devastated.

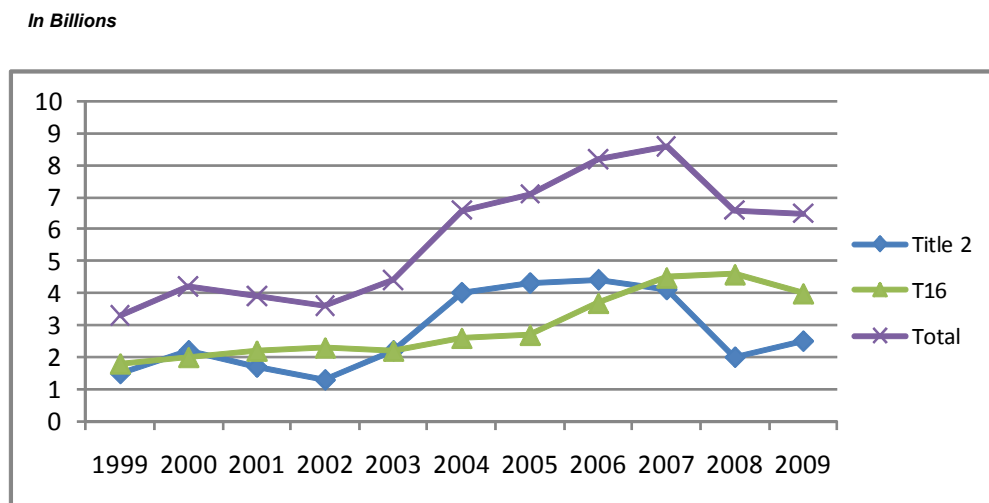
The Senate has proposed a fiscal year 2011 budget of \$11.822 billion, includes rescissions of \$400 million of the agency reserve fund. This is essentially the same funding level as FY10. This budget would most likely prevent the furloughing of Social Security workers and allow SSA "to keep the lights on." However, SSA would most likely be forced to operate under an agency wide hiring freeze for the remainder of FY11, which would result in the loss of approximately 3500 SSA and DDS employees by the end of the fiscal year. This will cause understaffing in offices around the country. Backlogs will continue to grow and decisions on benefit claims will take longer. Access to field offices and the 800 number will take much longer as waiting times would be expected to increase.

SSA Commissioner Astrue and the President Obama have determined the funding level that is required to maintain service, and to make needed improvements.

The wide differences between the House and Senate proposals for fiscal year 2011 domestic discretionary spending have raised the specter of one or more government shutdowns and budget driven employee furloughs during the rest of this fiscal year. The adverse impact of a shutdown or furloughs on Social Security’s clients, and on the hard-working employees dedicated to serving them, would be very serious. One week ago today, during their lunch breaks, Social Security employees in 96 facilities across the country joined with members of their communities to make the public aware of these threats. It is imperative that Congress pass a responsible budget for the rest of this year that allows SSA workers to continue to provide high quality service to the public, and avoid any interruption of services caused by shutdowns and/or furloughs.

Penny Wise is Pound Foolish

Overpayments



Constraints on spending and on front-line staffing have damaged the integrity of the programs themselves. Continuing disability reviews are not being conducted on schedule, and Supplemental Security Income (SSI) eligibility reviews are being done too infrequently. With insufficient staff to handle the work, SSA is forced to rely too much on self-reporting by mail, rather than on a full examination of eligibility factors through an interview with a trained SSA employee. Continuing disability reviews save about \$10 for every \$1 spent on them, and SSI reviews about \$8 for every \$1 invested in them. The President’s requests for 2011 and 2012 would provide dedicated funds to conduct more Supplemental Security Income (SSI) eligibility redeterminations, and more continuing disability reviews for Social Security and SSI beneficiaries. Both the House

and Senate are silent regarding this targeted funding and both have rescinded the remaining the vast majority of the Agency reserves that could have been used to support these critical workloads, and others.

Setting the work aside because of insufficient staff and funding is penny-wise and pound-foolish, but SSA has little choice because the disability claims and appeals crisis demands attention. These neglected workloads have contributed to record overpayments, ***nearly than 9 Billion in FY 07²***, many of overpayments are uncollectible, which have captured the interest of the Government Accountability Office. The last two fiscal years, SSA has been successful in reducing the overall amount of overpayments. However, with Congressional proposals to reduce government agency budgets and staffing, this success may be very short lived. Without adequate staff and budget, AFGE expects to see a new record number of overpayments, which may actually exceed SSA's administrative expense budget in the next few years. **To make matters worse, the amount of funds lost to overpayments over the last 10 years exceeded \$55 billion. These lost funds would have funded SSA's administrative expenses for at least 4 years.**

The Off Budget Solution

The Omnibus Reconciliation Act of 1990 provided that SSA FICA taxes and benefits payments were "off budget." Congress later interpreted that SSA's Limitation on Administrative Expenses (LAE) was not covered by the Omnibus Reconciliation Act of 1990, although the Social Security Act stipulates that administrative costs for the Social Security program must be financed by the Social Security Trust Fund. Since the SSA LAE (e.g., staffing, office space, supplies, technology, etc.) is "on budget," Congress decides on a yearly basis the amount that will be authorized and appropriated to administer SSA programs. Often SSA is left with insufficient staff and limited overtime due to a combination of competing interests within the Labor, Health and Human Services, Education and Related Agencies appropriation and the Congressional budget scoring system. These circumstances make it next to impossible to appropriate adequate administrative funds to enable SSA to complete the tasks assigned by Congress in a timely manner. Such shortages adversely affect disability appeals processing time and cause severe integrity problems.

The Social Security Trust Funds, projected to run a \$113 billion surplus this year, and over \$128 billion next year, pay for the great majority of the operating costs for the

² Source of verification of all overpayments found in each respective OIG Annual Audit and SSA Performance Plans for each Fical Year listed.

programs we administer. AFGE proposes that the Congress take SSA's administrative accounts off budget now. We are very efficient, spending just 0.9 percent of income in Social Security program administration. The Agency would still be required to justify its budget requests to Congress, and receive approval to spend money, but there is no reason why SSA should have to compete for funding with the many other agencies in the Labor/HHS appropriation package, when our source of funding is almost entirely off budget.

In an "off budget" environment Congress would continue to maintain spending authority but would be unencumbered by artificial caps and budgetary scoring rules. However, Congress should continue to appropriate SSA administrative expenses to ensure integrity and efficiency. Legislation should require SSA's Commissioner to document (in performance reports mandated under the Government Performance and Results Act) how funds have been and will be used to effectively carry out the mission of the Agency, to meet expected levels of performance, to achieve modern customer-responsive service, and to protect program integrity.

Most importantly, GAO must annually inform Congress regarding SSA's progress in achieving stated goals. Congress should also mandate that SSA's Commissioner submit the proposed budget directly to Congress as is now only optional in the independent agency legislation (P.L. 103-296, §101.) This requirement to submit the SSA budget directly to Congress may also be a provision of "off-budget" legislation and would be endorsed by AFGE.

Without sufficient funding of Social Security, the LAE will not go far enough to put the agency on a clear path to provide its mandated services at a level expected by the American public. SSA must be given enough funding to make disability decisions in a timely manner and to carry out other critical workloads. AFGE strongly urges Congress to separate SSA's LAE budget authority from the Section 302(a) and (b) allocations for discretionary spending. The size of SSA's LAE is driven by the number of administrative functions it conducts to serve beneficiaries and applicants. Congress should remove SSA's administrative functions from the discretionary budget that supports other important programs.

AFGE does not believe the American public deserves poor service from SSA. Some claimants while waiting for a disability hearings decision lose their homes, declare bankruptcy, and die. Their families suffer tremendous financial hardships; some lose everything during the prolonged wait for a decision. The public deserves efficient, expeditious service. Now is the time to make the correction, so that there is stability to run SSA programs that are so vital in providing family insurance and income security to 54 million beneficiaries.

In closing, AFGE urges the Senate to do whatever is necessary to insure that SSA receives full funding to do the work that Congress demands from the Agency.

AFGE thanks the Subcommittee for its time and consideration of the concerns addressed in this statement. AFGE is committed to serve, as we always have, as the employees' advocate AND a watchdog for clients, taxpayers, and their elected representatives.