

**THE PRESIDENT'S FISCAL YEAR 2025  
SOCIAL SECURITY ADMINISTRATION BUDGET**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON FINANCE**  
**UNITED STATES SENATE**  
**ONE HUNDRED EIGHTEENTH CONGRESS**  
SECOND SESSION

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## **THE PRESIDENT'S FISCAL YEAR 2025 SOCIAL SECURITY ADMINISTRATION BUDGET**

**WEDNESDAY, MARCH 20, 2024**

U.S. SENATE,  
COMMITTEE ON FINANCE,  
*Washington, DC.*

The hearing was convened, pursuant to notice, at 2:35 p.m., in Room SD-215, Dirksen Senate Office Building, Hon. Ron Wyden (chairman of the committee) presiding.

Present: Senators Menendez, Carper, Cardin, Brown, Bennet, Casey, Whitehouse, Hassan, Cortez Masto, Warren, Crapo, Grassley, Cassidy, Lankford, Daines, Tillis, and Blackburn.

Also present: Democratic staff: Sam Conchuratt, Professional Staff Member; Joshua Sheinkman, Staff Director; and Tiffany Smith, Deputy Staff Director and Chief Counsel. Republican staff: Becky Cole, Chief Economist; Gregg Richard, Staff Director; and Lara Rosner, Social Security Policy Advisor.

### **OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR FROM OREGON, CHAIRMAN, COMMITTEE ON FINANCE**

The CHAIRMAN. The Finance Committee will come to order. Today the Finance Committee meets to discuss the Biden administration's commitment to protecting and strengthening Social Security. Commissioner O'Malley, thank you for joining us.

Commissioner, I think it would be appropriate to begin to say, you know, you've barely got there, and you are still finding your way around the offices, and you have taken more concrete action to help seniors and improve operations in your early administration than the vast majority of your predecessors.

At your confirmation hearing, we pressed you on the urgent need to address this scourge of overpayments. They have been forcing already struggling seniors and folks of modest income to pay back thousands, sometimes even tens of thousands of dollars, because of a mistake that was no fault of their own. No American who lives on a fixed income, struggling to balance the grocery bill against rent and utilities, can afford to pay a large bill back to the government. Now, it's appropriate just to have a little history of this as we get into talking about this with you.

A few years ago, I wrote a law requiring the Social Security Administration to modernize its systems with one kind of lodestar, and that was to prevent overpayments. For years, Social Security dragged its feet on implementing these changes that I mandated by law. Many of the recent problems with overpayments that we have

all been hearing about in our States could have been prevented if the agency had implemented these changes sooner.

Now, several weeks after you were confirmed, you said what you were going to be about was bringing Social Security into the 21st century, and you said you were going to get these new systems up and running this year. And, colleagues, what this does is, it significantly streamlines the Social Security program for all those folks, all those seniors that we represent, because the changes allow the agency, for example, to get wage data quickly and efficiently and accurately, and that is, front and center, a requirement to prevent overpayments. You promised swift action, and you are already starting to show real progress, not only on big pressing problems like overpayments, but you have not shied away from diving right into some of the smaller fixes that Social Security needs to have.

Listening to employees and seniors, you're making concrete changes that in my view—and, Mr. Commissioner, as you know, I go back with seniors to my days when I was director of the Gray Panthers and I had a full head of hair and rugged good looks and all that. And you are making changes that are going to make it easier for seniors to sign up for Medicare and improve customer service.

And you have said that if there is a problem, no matter what size it is, you are going to go out there and focus on fixing and improving service, getting checks out the door faster to the older people who need them.

In my view, when it comes to these challenges, there is a clear choice to make, and you and I have talked about that. We either let a broken system just continue to upend the lives of older people, or you can tackle the problems head-on. As far as I can tell, you are taking the head-on option, going after these things aggressively from the start.

Now let's talk for a moment about the President's budget. He released his budget and reaffirmed his commitment to protecting seniors and Social Security, and that he would oppose any cuts to Americans' hard-earned benefits. Now, that is quite a difference to what the Republican front-runner for the presidential nomination has said.

On the same day, on national television, the Republican front-runner said there was a lot that could be done on Americans' hard-earned Social Security and Medicare benefits "in terms of cutting." So that, I gather, is his platform, because that is what he said: cut the programs; let everybody else pick up the pieces. Obviously, Social Security is on top of everybody's mind, with respect to protecting the program, and particularly making sure that it is solvent.

I intend to work closely with my colleagues to ensure that we protect Americans' hard-earned benefits for decades to come. A piece of that, Mr. Commissioner, will be making sure billionaires and the ultrawealthy start paying their fair share.

As we start this discussion, let's be clear on this. I want everybody to know I am a capitalist. I want people to be successful. That is the American dream. We want people to do well; we want people to be successful.

We also believe that it is important that everyone, including billionaires, pay their fair share. My billionaires tax proposal has close to 20 Senators as cosponsors now, and it is going to start that effort to make sure the ultrawealthy pay the taxes they owe, and help close the gap to ensure seniors can depend on the lifeline of Social Security.

One last point—just a quick step down memory lane, colleagues. The Finance Committee has not held a hearing specifically on oversight of the Social Security budget in over a decade. We said when you were nominated, Mr. Commissioner, we were going to change that. You are giving us the opportunity to do it today.

We can get an update on the Biden administration's efforts to address ongoing challenges within Social Security, and we can also hear from you about the changes that you are focused on making in the program in the days ahead that make for a more solvent program and protect what we consider to be the Social Security guarantee.

President Biden's proposed budget for the coming year shows his commitment to the Social Security guarantee, to protecting seniors' hard-earned benefits and making sure the program has the resources it needs to improve customer service and better serve the American people.

Thanks for helping to get things back on track.

Senator Crapo?

[The prepared statement of Chairman Wyden appears in the appendix.]

**OPENING STATEMENT OF HON. MIKE CRAPO,  
A U.S. SENATOR FROM IDAHO**

Senator CRAPO. Thank you, Senator Wyden, and thank you, Commissioner O'Malley, for appearing before the committee this afternoon to discuss the President's Fiscal Year 2025 budget for the Social Security Administration. I too appreciate your efforts, the commitment that you made to us, and the efforts you are undertaking to strengthen and restore our Social Security Administration.

Commissioner O'Malley, during your nomination hearing, you committed to making customer service improvements at the SSA a top priority. During today's hearing, I look forward to hearing more about that: your approach to addressing SSA's ongoing challenges with wait times for the national 800 number, processing times for disability decisions and improper payments, the data and metrics you are looking at to evaluate your progress, and how the Biden administration's budget request for the SSA supports these efforts.

Average wait times for the national 800 number have ticked down slightly over the last few months, but still remain about 30 minutes. After years of delays, the Social Security Administration has successfully transitioned its national 800 number to a new phone service platform. While the budget highlights the expected benefits of this new phone system, the Social Security Administration must do more to ensure that future information-technology projects make responsible use of taxpayer dollars by being delivered on time and on budget.

Americans across the country continue to wait far too long to receive a disability decision from the SSA. The President's budget proposes addressing these wait times through hiring and retaining State Disability Determination Services employees, and seeking process efficiencies, including improved technology.

The budget also highlights a proposed rule the agency claims would improve its disability adjudication process by reducing the number of years of past relevant work SSA considers when making disability decisions. While SSA's disability rules do need revisiting, simplification should not always result in more mandatory spending.

SSA should also focus on updating the outdated occupations list used in making disability decisions, to ensure the correct applicants are receiving benefits. The Social Security Administration has already spent a substantial amount of time and resources on this update, and I urge you to stick to your commitment of making this update a high priority.

During your nomination hearing, Senators on both sides of the aisle underscored the need for SSA to do more to reduce improper payments. Last month, the Social Security Administration took an important step toward implementing the Payroll Information Exchange provision in the Bipartisan Budget Act of 2015. Once this new exchange is in place, it is expected to improve payment accuracy and reduce the self-reporting burden on beneficiaries.

I also understand that the Social Security Administration has been reviewing its policies and procedures to identify what more can be done to help prevent and address overpayments. I look forward to hearing more about these efforts today. As SSA continues this work, the agency must be careful to address the initial errors, not just waive the mistakes after they have occurred.

While the President's budget includes operational requests for Congress to consider, it also fails in addressing Social Security's long-term solvency. The Social Security program provides benefits to millions of seniors, individuals with disabilities, and their families. We must ensure current beneficiaries and future generations will be able to depend on the program by addressing its financing shortfalls.

The President's budget does not include any legislative proposals to back up his stated commitment to protect and strengthen Social Security. The solutions preserving it are increasingly difficult, as more time is wasted.

Thank you again for being here today, Commissioner O'Malley, and thank you, Mr. Chairman.

[The prepared statement of Senator Crapo appears in the appendix.]

The CHAIRMAN. Thank you, Senator Crapo. We now turn to you, Commissioner, for your opening statement. I understand that you are going to use some slides for members to follow along with your testimony. Your testimony will be made part of the record, as well as the slides you provided the members.

[The slides appear in the appendix beginning on p. 47.]



**STATEMENT OF HON. MARTIN O'MALLEY, COMMISSIONER,  
SOCIAL SECURITY ADMINISTRATION, BALTIMORE, MD**

Commissioner O'MALLEY. Awesome. Mr. Chairman, Ranking Member Crapo, and members of the committee, thank you for the honor to be able to appear before you today, and, Mr. Chairman, thank you for holding this hearing on our budget.

It has been 9 years since we have had any hearing on Social Security's budget, and it is a great honor to be here with you to share with you a little bit about what I have learned. I have been on this job for 90 days, and I have been most pleasantly surprised by just how anxious the senior executive service was for a confirmed leader.

They want to do better. People across the country—I have visited all 9 regions over 16 days in January. The employees want to do better. They consider themselves to be performing a sacred mission for all of us, and indeed they do.

So, I have learned a lot, and we have a lot in motion, including the Payroll Information Exchange, which will be advertised very shortly. We hope to have that up and going by July. The 15- to 5-year lookback will hopefully simplify a lot of the administrative and wait times involved in the disability program.

But I wanted to share with you right up front—and it is one of the lead slides I shared with you in the material I gave out to you—one of the things I have learned—and I see the symptoms of it and the effects of it every single day—is that Social Security is now serving more customers than ever before with fewer staff than Social Security has had in 27 years.

You might be surprised to learn—or perhaps not; I know I was—that Social Security operates today, now, on less than 1 percent of overhead compared to its annual benefit outlays. And this operating overhead has been cut effectively by 20 percent over these last 9 years.

If one were to compare this social insurance agency to the private-sector companies that are also on those slides like Allstate, which I believe operates on about—let me make sure I get it right. Allstate operates on approximately now 13 percent of its overhead compared to annual outlays. Liberty Mutual, Liberty Biberty, operates on about 22 percent. The Social Security Administration, at least up until 2018, operated on 1.2 percent.

So, as I have traveled around the country, I wanted to share with you—mindful of my time here and how I am wanting to answer your questions, I wanted to announce to you a few of the things that we are doing on those key customer service issues, namely the 800 number wait times; time for disabilities; and third, the injustice of the overpayments.

We have a new team in place, and within 30 days we launched SecurityStat. SecurityStat is our new performance management regimen that operates on an every 2 weeks, every 2 weeks cadence—eight different meetings focused on one topic. Not only the 800 number, not only the disability determinations, but also 1 blessed hour on fraud, the prevention of fraud—and the OIG is at the table as we strive to get inside the turning radius of the fraudsters.

We have 1 blessed hour that is committed to reducing those initial disability determinations as well. We have one entirely focused on notices. We send out notices that look like the old Mad Libs, except these are designed by mad lawyers over time. We cannot blame our seniors when they receive the notice, or anybody, when they cannot make sense of it.

The only thing you can make sense of on some of our notices is that if you do not understand it, you should call our 800 number and wait for 39 minutes. So these are all of the things that we focus on in SecurityStat.

Let me wrap up with the focus of one of these meetings, which is overpayments and underpayments. Many of us saw that 60 Minutes exposé about Americans who, through no fault of their own, received one of these indecipherable notices, did not respond, but then found Social Security was intercepting 100 percent of their benefits every month until we recouped the overpayment.

These stories are shocking to our shared sense of equity and good conscience, and so today I am announcing some new reforms on that score. Many of these reforms came from our own employees on the front lines, and a brilliant woman named LeeAnn Stuever, who has helped us unpack and get to the root causes and the true facts underlying this.

First, instead of intercepting 100 percent of benefits in those instances where beneficiaries fail to call us to work out an overpayment plan, instead of intercepting 100 percent, we are going to do as we have long done in title 16 SSI, and intercept only 10 percent.

Second, we are going to shift the burden away from insisting that the claimant prove that they were not at fault. Instead, that burden will be more rightly on the agency in determining fault.

Third, we will allow repayment plans of up to 60 months. Traditionally, we only allowed repayments of up to 36. At the VA, they do 60. We are now going to do 60 as well.

And finally, we are going to make it easier for overpaid beneficiaries to request a waiver of payment.

In conclusion, we have discovered many things to improve process, many things to improve technology here and there. But continuing to reduce staffing while increasing beneficiaries is only going to lead to more difficulty for all of our customers.

I have every confidence that restoring customer service levels at Social Security here and now will provide a dividend of trust for generations to come. The President's budget is a big step in the right direction on that score. It includes a 9-percent increase over last year to \$15.4 billion, and with those dollars, we are confident we are going to be able to reduce the wait time on the 800 number. We are going to reduce the time to disability determinations, and we are going to do a much better job on reducing the numbers of overpayments and the injustices that result from them.

So, I look forward to working with you and diving deeper into any areas that are of interest to you. Thank you.

[The prepared statement of Commissioner O'Malley appears in the appendix.]

The CHAIRMAN. Commissioner, thank you very much.

And let's go to this Payroll Information Exchange concept first, because it relates to kind of how you showed up here. You made

some big promises to tackle overpayments head-on, and I am sure seniors and others kind of hear this stuff coming from Washington, and they maybe roll their eyes a little bit and they say, "We'll see."

But we are now on our way to having quicker, more efficient policies to prevent overpayments, because the agency can get wage data, can get this from employers and others quickly. It just seems to me that after years and years of waiting—and as you and I talked about, I worked across the aisle to get this passed, and then basically nothing happened; nothing. We just kind of kept pushing the agency, and nobody got serious about getting this wage data and recognizing the importance of efficiency and the like, and you took this on.

So tell us, if you would—because you are going to have to have a comprehensive game plan fighting these overpayments—what are we going to do for the long term, what are we going to do right now? And I will ask another question about helping people who are in a bind right now.

But tell us how this Payroll Information Exchange, the data exchange, is going to help you prevent overpayments for the long term, and can we finally get this problem that has harmed so many seniors under control?

Commissioner O'MALLEY. Mr. Chairman, thank you for your question. Thank you for your interest, and thank you for pushing us on the payroll information data exchange. As I traveled around the country, visiting all nine regions in the first week of January, I always found the best ideas came from people who were on the front lines already doing the work.

One of the constant questions that I received in employee town hall fashion was, "When are we finally going to have PIE? When are you all going to do regulations to finally do the Payroll Information Exchange, because it will alleviate our work burdens; it will make for less overpayments."

In some of our programs—I am thinking of SSI especially—it is an income-based program. People have to verify that they are making below a certain amount, and if they have a job, they have to be careful not to go above a certain amount of earnings, otherwise, it triggers potentially an overpayment, adjustments, and things of the like.

And with ever-declining staff over the years, it has taken us longer to catch up with overpayments, or changes in income, or living arrangements, or the other things that have to go into that program. So we have been doing a lot of prep work that will allow us to use a big data solution, to use a contract with a company called Equifax. And even as old as our legacy systems are, we have done the work necessary to integrate our efforts across all the field offices and processing centers, with Equifax's data base.

So, if a claimant or customer signs up and gives us permission to verify their wages through Equifax, we will not be waiting for somebody to come in with their latest pay stub. We will not be waiting for somebody in a processing center to put it through a scanner, to have it connect up with the file. Instead, it will happen instantaneously. We hope, therefore, we will be able to, in real time, identify where a situation that could have led to an overpayment is popping up, and we think it will be a great relief on both

the administrative burden internally and the administrative burden on customers, and lead to greater accuracy.

The CHAIRMAN. Let me see if I can get two more questions in quickly. By the way, Mr. Commissioner, I thought you would be interested. The original idea for the Payroll Information Exchange came from one of your employees, a Social Security employee. He took it to our office in Eugene, OR. So, this idea we are very proud of has roots in our State.

Commissioner O'MALLEY. I do not doubt it.

The CHAIRMAN. So there you are: Payroll Information Exchange for the long term. What is the most important thing you can do to help somebody who is clobbered right now by an overpayment?

Commissioner O'MALLEY. Well, some of those things we just announced—and there are more things that will be coming. Seventy-five percent of overpayments are under \$5,000 or less. Ninety-two percent of people actually call us and work out a payment plan.

I have sat there with people at Social Security, listening on the other phone, as clients ask, "Hey, I cannot make the \$200 every month. Can you allow me to do \$100?" So, we have good people at Social Security, good people in the field offices, and my message to people across the country if they have had an overpayment is, call us, contact us.

I know it is hard with fewer staff, but we do answer the phones within 5 minutes in the 1,210 field offices across the country, and they are compassionate people on the other end, who we now know are receiving clear instructions that we need to act and be mindful of the damage this can do to individuals.

We have a lot of flexibility as an agency that you have given us, not to claw back in cruel ways, if that is against equity and good conscience or defeats the purpose of the very act that you are sworn to uphold.

The CHAIRMAN. Let me get one other question in very quickly, because I am already over my time. Tell us a little bit about the funding picture, because I know that you are looking at ways to beef up the very best possible customer service for seniors and others. What are you going to try to put your resources in, and where are you going to need some additional help?

Commissioner O'MALLEY. Yes, sir. Having been Mayor of Baltimore and having been a Governor during a recession, I honestly was taking with a grain of salt some of the news I was reading about the agency saying that it was suffering from a lack of funding and a lack of staffing.

But when I got in there, that has been the most unpleasant surprise of all, to see the staffing going down now to 27-year lows, while the number of customers continues to rise. When I was here before you in October, we were serving 68 million customers; we are now serving 71 million customers. And so, if you are able to pass the President's budget, these are the things that we would do with those dollars.

We would invest in front-line staff, \$269 million of that. We would invest in staffing back up our teleservice centers, which suffer from a 24-percent attrition rate. We would address a backlog in the processing centers; that is where \$85 million would go. We would eliminate the hearings backlog with an \$89-million increase.

An area where we are especially suffering, and probably the largest dollar amount on here honestly, is the initial disability claims backlog. It is reaching historic highs, people waiting for their initial disability, and that, as you know, is a 50-State problem.

In some of your States, you have attrition rates that are so bad that, in some States, 85 percent of the people who work in disability examinations are trainees. So our productivity has taken a hit. Our staffing is low there, and we need to beef up our DDSs.

And finally, information technology. It is people, it is process, but it is also technology, and 90 percent of our technology budget goes to taping together green screens and IBM systems from 40 years back. We need to modernize with our technology investments.

The CHAIRMAN. Thank you.

Senator CRAPO?

Senator CRAPO. Thank you very much, Mr. Chairman, and I want to follow up basically a little bit on the line of what you were just discussing. I was very interested in your chart that shows, for example, the wait time on the 1-800 number and what it could be. It could go from 38 minutes to 5 minutes. Same thing on disability decisions and hearing decisions.

The question I have is what—this chart says that with 1.2 percent of benefit outlays as a level of funding, that you could take the wait times on the 800 number from 38 minutes to 5 minutes. Is that just hiring a lot more employees? What are the actions that you would take with adequate funding to remove that, to move that number from 38 minutes to 5 minutes?

Commissioner O'MALLEY. A big, big part of it actually is the agents taking the calls. There are things we can do with tactics on either side, deflecting calls, getting more people to go online, and there are things we can do once we do answer the call—resolution on the first call rather than making people call back.

But there is no substitute for all of us Americans who call and say, "I want to talk to an agent; I want to talk to an agent." If there are not enough agents, it is going to be a long wait time.

Senator CRAPO. So what is 1.2 percent of funding outlays? What amount of dollars is that?

Commissioner O'MALLEY. The President's budget calls for \$15.4 billion. That is about .96 of 1 percent.

Senator CRAPO. Okay. So yours is a little—your recommended budget is a little higher than that?

Commissioner O'MALLEY. The official recommended budget was higher than that, and here it is. It was \$16.2 billion. The 1.2 percent that I had on that graph was to show that prior to 2018, that was the pretty consistent level of overhead compared to annual benefit outlays that allowed us to support customer service at the level that Americans frankly have already paid for through years of working and their FICA.

Senator CRAPO. So again, just so I can understand what it is that would be needed here, would your \$16.2 billion budget get you to 1.2 percent of funding of benefit outlays?

Commissioner O'MALLEY. No, sir, not yet.

Senator CRAPO. Would it get even close?

Commissioner O'MALLEY. The President's budget would be a solid step in that direction. The budget that was my recommenda-

tion, which was honestly kind of in motion before I was confirmed, is another positive step in that direction. It would take other successive steps over the years to get us back to 1.2.

Senator CRAPO. All right.

Tell me a little bit about the difference between your budget proposal and the President's. What are the primary differences between your request, which is about \$0.8 billion higher, and what areas do you think need additional funding beyond the President's budget that would have been included in your number?

Commissioner O'MALLEY. Yes, sir. It is a matter of scale, but I think the priorities are the same.

Senator CRAPO. Okay.

Commissioner O'MALLEY. And then I think we have a pretty good idea of where the backlogs are, where we're failing our customers, and where we need to restore staff most urgently. Absent that, we find ourselves playing Whac-A-Mole, shifting every day, taking trainers off of training and throwing them in the front office and doing other things that are bad overall for the productivity and the efficiency of the organization.

Senator CRAPO. All right; thank you.

Moving to a different topic: information technology. I understand that you have been known to say that technology is the cause of and the solution to all of our problems. I appreciate your recognition of the critical role that IT plays in the Social Security Administration's operations, and your acknowledgment of the challenges that the SSA has had with it in terms of its projects over the years.

During your nomination hearing, you said that, if confirmed, you would do a rapid assessment of SSA's IT systems, with a focus on how these systems serve the agency's customers and employees. What is the status of this assessment, and what can you share on your findings today?

Commissioner O'MALLEY. Yes, sir. That assessment is underway, and we just hired a new CIO on March 4th. There was also a modernization plan that was put forward before that by the outgoing CIO, but we have experienced and insightful people from MITRE who are doing exactly that assessment.

It is not completed yet. They have only kind of just begun their work. I would have liked to have hired a CIO before March 4th, but that was her first day. She is very good, Marcela Escobar-Alava, and all of that is underway.

In fact, we are already shifting things. For example, PIE, we had to shift things from one aspect of the IT budget in order to make sure that PIE started on time. But that overall evaluation is underway, and there will be short-term and long-term things that we need to do. The longer modernization goal should be to get to a modern customer relations management platform that allows the American people the same level of customer service they get when they are calling other corporations in the private sector, whether an insurance company or a bank.

Senator CRAPO. Well, thank you. I will be very interested in that assessment. I would appreciate it if you would give us some updates as you move along.

Commissioner O'MALLEY. Yes, sir. Thank you.

The CHAIRMAN. Senator Menendez?

Senator MENENDEZ. Thank you, Mr. Chairman. Governor, I hope you had a good St. Patrick's Day.

When you came before the committee in November, I asked you about your commitment to improving payment accuracy. As you know, my office has heard from beneficiaries who have received letters saying they must pay back thousands or in some cases tens of thousands of dollars to the government.

I have been pleased to see your demonstrated commitment to addressing overpayment inequities, but there is more work to be done. This issue spans from a challenging appeals process, low staffing that leads to beneficiaries receiving bills that date back 30 years, and challenges around payroll data.

How will the President's budget help address this multifaceted problem that leads to overpayments?

Commissioner O'MALLEY. Yes. Senator, thank you for your question, and thank you for urging us forward to do even more. The things that I announced today about moving away from the 100-percent intercepts, the default position, shifting of the burden—all of those things will make a difference.

There are still other things that we need to untangle and figure out with regard to administrative finality and the like. But you kind of put your fingers on one of the problems, and it is this. You know, we have not seen more citizens being assessed overpayments, but we have seen the time it takes to assess the overpayment grow, and therefore the debt itself grows because of the shortage of staff and the extra length of time it takes before we discover it, or before we are able to contact the person and make arrangements.

Senator MENENDEZ. That's simply not fair.

Commissioner O'MALLEY. Pardon?

Senator MENENDEZ. That's simply not fair.

Commissioner O'MALLEY. What is not fair, that we should not have staffing; that it should take us so long?

Senator MENENDEZ. Well, no, that the time frame that it took to ultimately make those determinations has added to a cost that otherwise would not have existed.

Commissioner O'MALLEY. That's true. It's not fair. People have paid for their customer service. It comes out of the same trust fund it always has back when it was 1.2 percent. And so you ask, "What would the President's budget do for us on that?" It would allow us to restore many of the staff losses that will allow us to narrow that amount of time.

So, as I said before, 75 percent of the debts in the title II OASDI are \$5,000 or less. Ninety-two percent of people get a hold of us, but in an agency this big, if you are harming 8 percent of the people, that is a lot of people.

Senator MENENDEZ. Well, I will look forward to your work in this, and to hearing as you go along if there are other things that need to be done. I would like to know. I am sure members of the committee would as well.

Commissioner O'MALLEY. Thank you, Senator.

Senator MENENDEZ. A CBO report from last month has yet again proven that certain right-wing voices claiming that immigrants are

so-called takers who drain our Nation's resources are blatantly wrong. Here are a few excerpts from the report.

Immigrants will grow the entire U.S. labor force by an extra 5.2 million workers over the next 10 years. Over the next 10 years, our GDP will be about \$7 trillion larger, and our Federal tax revenues \$1 trillion greater than they would otherwise be without these immigrants. The report confirms that America's prosperity and financial security depend upon the enormous contributions of hard-working immigrants, and as more and more Americans retire, new immigrants eager for work opportunities will help fund our Social Security system for all Americans.

And so, even though undocumented immigrant workers contribute billions into our Social Security system to keep it solvent for U.S. citizens, they do not receive a single dime in benefits from it. So, do you agree with the CBO's findings, that immigrant workers continue to be essential to keeping our Social Security fund solvent?

Commissioner O'MALLEY. I sure do, Senator.

Senator MENENDEZ. Okay. And that is a point that often goes unreported in a way that I think is part of the consideration that we should have.

Finally, when applying for SSDI or SSI disability benefits, individuals reported they have spent years with little or no income working through the system, only to see their application rejected. They also described dehumanizing, extensive, and highly confusing paperwork.

A recent report from the Center for American Progress notes that only 33 percent of applicants for SSDI and 32 percent of applicants for disability benefits with SSI were awarded benefits at any time in the process, largely due to extreme administrative burdens and delays.

What can you do as Commissioner to reduce the red tape and extreme barriers that individuals with disabilities face when they are trying to collect the benefits to which they are entitled?

Commissioner O'MALLEY. Yes, sir. There is rarely a day that goes by when we are not wrestling with the complexities of this program, both in disability determinations and especially in SSI. Supplemental Security Income is about 4 percent of our benefit outlays, but it is about 40 percent of our administrative overhead.

This program seems to get in its own way. In other words, while it purports to be a program of last resort for the poorest of people, it forces the poorest of people to jump through hoops, stand on their head, and gargle peanut butter in order to qualify for it.

So there are things we can do to simplify SSI, and some of those things are underway. The movement to electronic signatures in the agency is part of that. But the larger problem is this: it is a very staff-intensive program to administer, and it is an income-based program, and our staffing levels are at a 27-year low. So, in addition to being a complex program, it is also facing the same sort of understaffing challenges that the whole agency is facing.

Senator MENENDEZ. I look forward to following up on that.

Commissioner O'MALLEY. Thank you.

The CHAIRMAN. I thank my colleague.

Senator Grassley?



Senator GRASSLEY. Remote work is a problem throughout the Federal Government, not just with Social Security. But I want you to know that I hear from Iowans that getting in-person assistance at field offices is a real challenge. I recently read about your organization entering into a memorandum of understanding with the employee union that expands this episodic telework.

So how are you going—by the way, I think this is something you and I discussed when you came to my office.

Commissioner O'MALLEY. Yes, sir.

Senator GRASSLEY. I did not try to get a commitment out of you on anything on that point, but I did want to point out to you how I thought that your predecessor probably lost his job because he was taking on this effort to try to get more people to come to the office.

So how are you going to serve seniors when there is even more remote work than there is now?

Commissioner O'MALLEY. Yes, Senator. Let me share with you that on February 2nd, we changed our telework balance, and this is the sum and substance of it. I said, "Look, I am here on site 5 days a week, every day of the week, and if I am not here, I am in one of the regions or catching a dawn's early light flight."

The Commissioner's office at headquarters is here 4 days a week, one of telework. All of the other components, 3 days a week, 2 of telework. Now, the field offices have been open 5 days a week, 9 to 5, ever since the shutdown ended. That is a fact.

We also do a pretty decent job of getting people appointments within a reasonable time. We can debate what reasonable is, but they also answer the phones in the field offices between 3 to 5 minutes. But this item that you touched on, the episodic telework, is simply this.

When I was in—I cannot remember whether I was in Kansas City or San Francisco, a young dad who worked at our teleservice centers said, "My son was really sick. I needed to get him to emergency care right away, but my wife was coming home and was going to come off her job and relieve me. I asked my supervisor could I come in and work the second half of the day, and she said, 'No. We do not allow that sort of episodic granting of a half-day or something.'"

And so, when it came time for us to bring everybody back to the regional headquarters, and everybody back to the Baltimore headquarters for more days, the question was asked, "Are we going to allow them to take a personal half-day and telework on those days if some calamity happens, sick kid, you know, a flat tire or something?"

I said, "Well, sure. We are not monsters; we are human beings. Life happens." They said, "Well, what about for the union-organized workforce?" I said, "Don't they already have that?" And they said, "No." I said, "Well, that's not fair. I mean, don't they have sick kids? Don't they have flat tires?"

I don't want that to distract you though from the larger movement, which is to have core collaboration days at the headquarters, to keep those field offices open 5 days a week, 9 to 5, and to make sure that we see people. We are doing all of those things, albeit

with a lot less staff than before. But we are not going backward and doing more telework.

Senator GRASSLEY. Both Trump and Biden are running on a campaign of not cutting Social Security. I think that is a stupid thing. They are not serving the future generations they should by running on that sort of a platform, but that is their platform. Obviously if they do nothing, they are not going to cut it in the next 4 years.

But we all know that by 2033, based on what your studies show, that it is going to go from 100 percent down to 77 percent of scheduled benefits. Now, is that a cut to you? I am not asking what Trump and Biden would say about it. But if you go from 100 percent to 77 percent, isn't that a cut?

Commissioner O'MALLEY. Absolutely. If Congress is not able to avert it, as you all did in 1982, that would be a real hit to people.

Senator GRASSLEY. Yes. The Social Security Act requires the Board of Trustees, which includes the Social Security Commissioner, to report on trust fund financial status by April 1st. It is frequently missed. Can Congress expect that report April 1st, and if not, why not?

Commissioner O'MALLEY. We were hopeful that we were going to be able to get it to you, but there was data from the U.S. Census that was late arriving. So we will not make it on April 1st, but it will come shortly thereafter. There will be a delay of a few weeks, but not a few months.

Senator GRASSLEY. Great.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank my colleague.

Senator Carper is next.

Senator CARPER. Yes, thanks very much. Welcome. It is great to be with you. Thank you. Thank you for taking this on. And part of me kind of envies you for taking on a challenge of this magnitude—and you really jumped right into it—and getting a running start. So, congratulations.

We are here to help, and we are grateful for your service in this regard.

Commissioner O'MALLEY. Thank you.

Senator CARPER. I thank the chairman, and I thank the ranking member for bringing you back before us so soon. I think it was in 2023 this committee considered your nomination. It seems longer, but it was 2023. But we're really pleased—I was pleased to support your nomination, and really pleased to see the strong bipartisan support that it received.

And for the first time, I think, in close to 10 years, our committee is meeting to review the budget of the Social Security Administration, which has responsibility for providing support for our seniors and individuals with disabilities.

As you mentioned in your testimony, amid historic underfunding and understaffing, the Social Security Administration is facing what we call, and you probably do too, a customer service crisis.

The average call time—we have talked to you, and we have discussed this already—but the average hold time for an individual wanting to speak to a staff member at the Social Security Administration is 38 minutes. The average American waits about 220

days—that's over 7 months—for an initial decision about their disability status.

These numbers are more than disappointing; they are shocking. They are just not acceptable, if they are true, and I would leave that up to you. The Social Security Administration's programs cannot succeed without first delivering gold-standard service to all of our Americans. I am encouraged that the agency is maybe prioritizing serving those with greatest need, and ensuring disability applicants with the most severe conditions are given an initial decision within 30 days or less.

The last time you were good enough to appear before our committee, I recommended that you talk with Danny Werfel, Commissioner of the Internal Revenue Service. Like you, he has inherited an agency with a customer service crisis. While I know you have a tough job ahead, I'm encouraged that the President's budget for Fiscal Year 2025 makes critical investments for customer service at the Social Security Administration.

My question is, should the President's budget be enacted, how would you leverage this investment to improve the agency's customer service? You talked about this a bit already, but especially for reducing call and disability claim wait times, can you speak to the unique customer service challenges the Social Security Administration is facing, and how the agency, Social Security as you see it, can learn from Danny Werfel's success at the IRS?

Commissioner O'MALLEY. Yes sir; thank you, Senator. The President's budget is a very, very strong step in a better direction for this agency's customer service. Of the \$15.4 billion proposed in the President's budget, our plan is to increase front-line staff serving our customers by \$269 million, to increase the staffing at our tele-service centers. They have an attrition rate of 24 percent—

Senator CARPER. A year?

Commissioner O'MALLEY [continuing]. In our teleservice centers. You can only imagine the sort of stress that people encounter on an under-performing system when people have been on hold for 45 minutes or an hour—nobody's coming in pleasant after waiting on hold for benefits they have already earned.

We plan to invest \$85 million to bring down the backlogs in our processing centers. Some of you, no doubt, got calls from people who said, "I got a notice from Social Security saying they should process my claim in 30 days. It has been 90 days. I have not heard anything from them."

So we have to get those backlogs down. The biggest investment would be at the initial disability stage, 50 States. Delaware, Maryland, Louisiana all have their own DDS offices that make the initial determinations. Those backlogs have grown and grown and grown. In fact, in my prepared remarks before you, I believe I have a map of the United States with the 50 States. That map is supposed to be shaded. The green is supposed to represent States that get it done in 120 days. There is no green on the continental United States. Across the South, particularly, there are acute backlogs. So that is why we would invest \$2.8 billion to staff up the DDSs where attrition has been great, and where half of their staff seem to be in training status, and therefore not as productive as they could or should be if they fully had a grasp of the material.

We are doing some other things with technology, but none of those things can make up for the yawning gap between having the highest number of beneficiaries in our history and the lowest staffing we have had in 27 years.

We are getting a lot of great bunt singles to get on base in terms of process efficiency and automated Medicare processing and things like that, but those are bunt singles. Only Congress can hit the home run of restoring our staffing, and ideally making quick strides to get us back to that 1.2 percent of average outlays that we always had been before 2018.

The CHAIRMAN. I thank my colleague.

Senator CARPER. Thanks, Mr. Chairman.

The CHAIRMAN. Next is—let's see, Senator Cassidy.

Senator CASSIDY. Hey, Mr. O'Malley. At your nomination hearing, I noted how the Social Security Administration is relying on a 50-year-old Dictionary of Occupational Titles. I smile because, when you read some of them, they are clearly anachronisms. The agency has spent over \$500 million paying the Bureau of Labor Statistics to come up with an updated occupational data file and spending another \$100 million on staff and contractor time testing the file.

Senator Brown and I introduced a bill requiring SSA to compile this and submit a report every 3 years. Where are you, where is the agency, on implementing the updated occupational titles?

Commissioner O'MALLEY. Yes. Senator, there seems to be no end to the ongoing outlays of money proposed for an updating of the dictionary of titles. I have kind of put the brakes on this, frankly. It is a lot of money, and I think with the availability of technology and data sharing and other things that are out there in the world, I think we need to take a fresh look at whether we can get from point A, which was last updated, I guess in 1991, to a more modern system, without necessarily having to send out giant teams of researchers to do 103 more side-by-side studies for 2 weeks, of cashiers and what the physical requirements are for them.

There is a level of complexity here, yes. But I think to continue to put more and more money into doing this the way we have been doing it and having no results does not make a lot of sense, given our budget throes. So I have asked them to hit the "pause" button on this while we reevaluate and see if there might be another way to get it done.

Senator CASSIDY. Well, it was not under your authority, but if we spent \$600 million and accomplished nothing, it is incredibly frustrating.

Commissioner O'MALLEY. Hugely frustrating.

Senator CASSIDY. So let me ask you—and that leads me to the next thing—about modernizing your legacy systems, your technology systems, et cetera, and specifically, how do you use AI? In health care, we are trying to use AI; I say that as a physician.

For example, the National Health Service in England has used AI to screen people with mental health issues, and they found a greater degree of satisfaction among the screeners, the screenees, and they found that when the doctors and nurses received the record, they were better done than had a human done them.

Now, this seems ideal for your backlog. You are having a hard time hiring people. You have a labor shortage. That would be something that could be done, and perhaps even produce a better file if it is the same experience as the National Health Service.

All that as a lead-in, to what degree is the agency updating their systems with an eye toward AI, not just for that but for fraud, et cetera? I turn it to you.

Commissioner O'MALLEY. Yes, sir. There are a lot of areas ripe for this, and our top, I would say training priority has actually to do with using an automated system in the disability determinations.

There is a tool that SSA invented called IMAGEN, and IMAGEN essentially takes those 1,000 pages of medical records and puts them in a form that can be searched and be curated, and compared to past applicants to see, even assess, what is the percentage likelihood of this one being an allowance? "Make sure you take your eyes to page 912 of this report, to page 702, because that is where the parts are about what the claimant has been experiencing."

Senator CASSIDY. Now, this is an AI system or an algorithm? Is this something that you developed in-house, or is it something that you contracted for?

Commissioner O'MALLEY. Yes, it is something we developed in-house. Victory has a thousand fathers. Because it works right and because it reduces the time by about 50 percent that it takes to examine all of these records, there are people inside the agency who say the agency invented it, and there is a contractor who says they invented it.

Senator CASSIDY. Okay, let me ask you; I am almost out of time. But going back to that 1.2, you mentioned that you have a relatively low overhead. Again, AI has the potential to further lower that, and so to what degree are you also using AI to look at fraud, to look at again, having intake of patients with complaints?

The whole kind of backlog of complaints could be brought down if it turns out that you use AI to interview the individual as it is done elsewhere.

Commissioner O'MALLEY. Yes. As part of our SecurityStat regimen, one of the hours—in fact, it is the only hour that we are closed to the public and do not livestream—is about fraud. One of the things that we have been able to do in fraud is to use machines to identify patterns, to identify anomalies.

We need to do a constantly better job of that, but we do have models that do work, and we need to refine those models. So we are looking for needles in a needlestack instead of needles in a haystack when we refer cases and flag cases back for a second review in the field office.

Senator CASSIDY. Well, I am out of time, but that is your aspiration. I guess my question though is, to what degree are you employing AI or other tech in order to help do that, because that does seem something, that pattern recognition seems to be tailor-made for that, which we could use AI for.

Commissioner O'MALLEY. Yes. We are already doing some of that. We can do more, and I think we can do more immediately when it comes to geospatial, and identifying emerging hot spots on the map, or the impossible medical days and things of that nature.

Senator CASSIDY. Thank you.

Commissioner O'MALLEY. Thank you.

The CHAIRMAN. Senator Lankford is next.

Senator LANKFORD. Okay, Mr. Chairman, thank you.

Thanks for being here in the conversation. I know you jumped into the deep end of the pool with a lot of areas to be able to resolve some things. My State is one of the States that is working with the Driver's License Data Verification system, which we have been very behind on. Social Security has been very helpful to us in the process of going through that, so I just wanted to give you kudos—

Commissioner O'MALLEY. I thank you.

Senator LANKFORD [continuing]. And give you a chance to be able to hear that, that we are working through that. Some has been on our State's responsibility and some on yours, but we seem to be getting very close on that.

We do have a lot of constituent requests that are coming in on the issue about overpayments. When they get an overpayment statement and they are asked to be able to go track down work history and records, and how much they were paid from years ago, it is difficult, obviously, for them.

They have to be able to work this out, to be able to figure it out. The challenge has been not that they have to go chase some of that down. That is part of the process for them to be able to figure it out. It is the communication on the back side of that.

It is, do they have a person they are working with? Can they get in contact with them? Can they maintain communication with that person consistently, trying to be able to work out the details? That is still an ongoing issue to try to figure out.

It is confusing enough for a lot of folks who are trying to be able to handle an overpayment situation, trying to be able to chase down the records. It is more confusing when they deal with different people in the process, to be able to resolve it.

So, as much as we can maintain the consistency of that, an open line of communication, that would be helpful.

Commissioner O'MALLEY. Great; well said. And I think the best thing for people to do is to get to their field office when they have one of those notices.

Senator LANKFORD. Right.

Commissioner O'MALLEY. You can work out a payment plan by calling the 800 number and eventually getting connected with the debt collection folks. But the best thing to do is to go to your field office.

Senator LANKFORD. Yes. And they maybe will have the opportunity to be able to do that. We are obviously improving those options, but it is its own challenge when you are in a rural area and have difficulty traveling and all those things.

Commissioner O'MALLEY. Sure.

Senator LANKFORD. So, a couple of handoff issues I just want to be able to raise to you. One of them is, years ago—and I will leave out all the wheres and the whys on this just to protect her in the process. But I was walking through a Social Security office—and I think you and I have talked about this before—in my State, walking to the cubicles, just meeting people, asking what they do, trying

to get some insight from them on what we could do better. One of my favorite answers was someone who said to me when I said, "What do you do?", she replied, "I do something the Federal Government should not do. That is what I do." I said, "Well, what do you do?" She said, "Well, I spend my days trying to figure out how to pay attorneys that I did not hire, and someone who hired a disability attorney, in fact they hired two or three attorneys, and I have to figure out what percentage to pay each person."

Somehow, we have got to figure out how to be able to manage this, because obviously the good staff who are at Social Security, they do not have any relationship with all these attorneys. Yet they are having to actually choose which attorneys to be able to pay what amount, and to be able to track through all these bundles of records as they fight through the process on that.

So that is something we have just got to be able to figure out together, how to be able to resolve that, and to be able to make that easier.

The other thing is, dealing with some attorneys, not all, some attorneys who stretch out the length of a process because they know if they stretch it out to the farthest point, if they ask for delays, if they show up at hearings and try to submit one more record, it forces it to go a little bit longer.

There is a maximum amount they can be paid, and if they can stretch out the whole proceeding, they can get to their maximum amount. We've got to be able to figure that out as well. I understand that some people want to be able to hire a counsel, but those individuals and those counsels that we see repetitively that are lengthening cases that could be done quickly to be able to make sure they maximize their payments, that is wrong in a million ways, especially for that individual receiving disability.

What ideas have come at this point to be able to identify consistent law firms that are stretching things out to the longest possible way, and if we are seeing that pattern for them, what consequences can we bring to be able to make sure we are protecting the disability individual, not benefiting the attorneys?

Commissioner O'MALLEY. Yes, sir. I had heard that same story. In further investigation, I am not finding a whole lot of evidence of that, and perhaps it is because the wait times have become so horribly long that they—

Senator LANKFORD. Right. It is assumed it is always there—

Commissioner O'MALLEY [continuing]. Are always going to reach their maximum just given—they have no need to delay the case, because it is also a violation of the professional code of conduct to do such a thing.

Senator LANKFORD. Sure it is.

Commissioner O'MALLEY. We have noticed, though—we have shifted from doing hearings primarily in person before COVID, and then of course we could not do any in person, so we were using teleconference and videoconference. Now even after COVID, the vast majority of our hearings are being done by teleconference or video, which is allowing us to close a few hearing offices as well.

We noticed though, in mapping, that there are some regions of the country where it seems that people, and the law firms in dis-

proportionate numbers, still insist on their personal appearance in face-to-face hearings. So we are able to see that on a map.

We are able to make some calls. We are able to address it. I think it was less a matter of maximizing fees and more a matter of not realizing how much more quickly they could get clients good results. We also looked at the difference between the two results, in-person or teleconference, and found no difference in terms of percentage of allowances.

Senator LANKFORD. Great; thank you.

Let me just make a couple of quick statements here I want to be able to follow up on the record. One is the difference between the administrative law judges and the administrative appeals judges. Obviously, there is a big difference between the two.

I have some questions, because I understand Social Security is leaning toward more administrative appeals judges, and I just want to be able to do some follow-up on that.

The other one is the transition from SSI to SSDI for those teenagers making that transition. I have talked to several folks who are talking about the length of time that it takes. I wonder if there is a way to be able to expedite the hearing when you are actually making that transition, to be able to make sure that those who are transitioning from SSI to SSDI—because obviously there are two different standards there. Many do not qualify in the next level, and I want to make sure that we are actually managing that hand-off well. We can talk about that later, or I can try to submit that for the record.

Commissioner O'MALLEY. Great, thank you.

Senator LANKFORD. Thank you.

The CHAIRMAN. Senator Cardin?

Senator CARDIN. Governor O'Malley, Mayor O'Malley, Commissioner O'Malley, whatever title you are using now, welcome to our committee. It is good to have you here. I note that you have visited all the regions. You have commented about that. I think that is a good thing to do, to really try to understand the challenges that are out there in the field.

I noticed that the next generation of your "stats" is SecurityStat, and I think that is going to be very helpful for all of us, including your workforce, to be able to have metrics in order to judge the progress that they are making.

But I just really want to—this is a hearing on the President's budget, and if I understand it, the President's budget would give you 1.2 percent for administering of the benefits outlays. I just want to go to this one chart that you presented, and make sure I understand this correctly. If we fund the President's budget—one of the major complaints we get is the wait time on the 1-800 number. You are telling us that with those resources, you can reduce the wait time from 38 minutes to 5 minutes? Am I reading that correctly?

Commissioner O'MALLEY. I cannot say that. What I can say is that we believe that we can bring it down. It's currently roughly over 30 minutes. The last full week of reporting we had ended March 8th, and it was down to 31, which is a better trend line. We have been wrestling it down.



I believe that with the President's budget, we could bring it down another 20 minutes to more like an 11- or 12-minute wait time.

Senator CARDIN. And then long-term, with that support, you believe you can bring it down to within 5 minutes?

Commissioner O'MALLEY. I believe with further strides, we can bring it down to 5 minutes, and in fact in the field offices—the wait is 3 to 5 minutes for the field offices.

Senator CARDIN. And the other issue that we hear about all the time is the disability determinations, the time from the initial disability reconsideration decisions, which now go about two-thirds of the year. You are saying you can bring that down also? Can you just talk a little bit more about the trend line there?

Commissioner O'MALLEY. Yes, sir. That is going to be a longer task; it involves more training. But in essence, we would plan to use \$2.8 billion to restore the staffing losses that have happened over the last 9 years, when we have gone without even having a budget hearing or an appropriation hearing.

Some of the greatest attrition has happened at our State DDS offices. So we would use that \$2.8 billion to hire up again. All of these 50 are State employees, as you know, that our Federal dollars pay for. Each of those offices have different leaders and face different challenges. But we need to get their staffing back up.

We have also designated some cadres within the Federal aspects of the agency that can help bail out those DDSs. But that is more like emergency work. The longer-term is, we have to get the staffing back up in those DDSs, and that is the biggest chunk of the additional dollars in the President's budget.

Senator CARDIN. And then the wait time for a hearing decision itself—I am not sure how the budget directly impacts that. Maybe you could explain that a little bit more.

Commissioner O'MALLEY. Yes, sir.

Senator CARDIN. It still is shocking it is a year for those decisions.

Commissioner O'MALLEY. Yes; I will do my best. There are, in essence, three stages to a disability determination. The first one is the initial stage. That is a process. It begins with in-person application at the field office. Then it goes from the field office to the State DDS, and there it can sit, used to be 120 days. Now the average time is 228 days and has every indication of rising as their attrition in fact rises.

If you are denied that, your next level of appeal is to go for a reconsideration in that same State office, which also takes another 220 days.

Senator CARDIN. And how does the President's budget attempt to address that delay?

Commissioner O'MALLEY. With greater staffing, we will be able to process more cases more quickly. It is almost like a school system, where all of your staffing is in teachers. If you have rising numbers of students and declining numbers of teachers, you are going to have greater class sizes.

By way of a metaphor, with fewer staff in the DDSs, the number of cases per each staff worker goes up, and therefore the wait times become longer.

Senator CARDIN. I just point out 1.2 percent seems like a rather low amount for an administrative cost for a program. I do not know too many private sectors that can administer a program at 1.2 percent. I would also acknowledge that we have a trust fund, and you have been disadvantaged because you are counted in the caps that we appropriate for, even though it is trust funds.

Commissioner O'MALLEY. Yes, sir.

Senator CARDIN. We believe you should be budgeted, you should have oversight, but why it is included in the domestic spending caps is somewhat a mystery to many of us.

Commissioner O'MALLEY. I do not quite understand it either. I have never served in the Federal service until now, but it would seem to me for all of those years that I worked, and you worked, and we were paying our FICA, nobody asked us if paying into Social Security was a discretionary act on our part.

So I am not sure why suddenly those same FICA dollars that had always supported a high level of customer service are now in essence being cut. Before 2018, we operated on about 1.2 percent compared to annual outlays. A company like Allstate operates on 19.4 percent. Liberty Mutual, Liberty Biberty, is 23.6 percent compared to annual outlays.

Social Security traditionally had been 1.2 percent. We are headed to a 27-year low, with the highest number of beneficiaries, and it would also be the lowest year in terms of that percentage. Now the President's budget gets us back up to .96 of 1 percent. Over the next couple of years—and it is not really even an appropriation in the sense that it is an allowance.

It is allowing us to use the payments that workers have made over the years, not only for their benefits but for the customer service to access them. I think 1.2 percent is not much to pay for a high level of customer service for benefits we have already earned.

Senator CARDIN [presiding]. Thank you.

Senator Bennet?

Senator BENNET. Commissioner, it is great to see you.

Commissioner O'MALLEY. Great to see you.

Senator BENNET. Thank you for your willingness to serve, and I know you are new to the job, so what you are hearing today is not anything that you have been able to address directly. But just on that point that you are making about changing demographics—there are more retirees, there are fewer people to support them.

I mean, what do you think we need to do to—not to surge more resources at the problem, but use technology and other kinds of things to be able to address this? I mean, we have in Colorado, I know, more and more people retiring every day. The numbers that I have seen are as many as 400 people at a time waiting in line for 20 appointments in the State.

I know that is true everywhere. You have heard that. How do we not just throw resources at it, but do it in a targeted way that actually drives systems change that can make sense here?

Commissioner O'MALLEY. Senator, you are exactly right in the role that technology plays. It is people, it is processes, and it is technology. On all three of those, we have suffered from a lack of investment. When it comes to technology, our technology budget is

about one-third of the size of what you appropriate to Veterans Affairs.

In our case, it is one-third of that amount for a much larger population, and because of our legacy systems—IBM, COBOL, green screen—you know, it's the layers of Jerusalem built upon themselves for the last 88 years.

Ninety percent of our technology budget goes to maintenance, what they call "keeping the lights on." The other 10 percent goes to product development and modernization. Some of the best modernizations, really, have bubbled up and back to Social Security from the regions of Social Security, rather than something that was done on a nationwide basis. So we need more staff, but we also need to modernize our technology.

There are some things that we have discovered that we brought back from the field. I do not think I mentioned this one here. When I was in Birmingham, they said, "Look, we invented this here. This is a way that, when people apply for Medicare, we are able to automate a process that used to take a human technician 8 minutes to go through—yes, that is Mr. Bennet, that is his mother's maiden name, you know, all of those sorts of things, and many, many screens."

They were able to build that on Excel and automate that process so that it happens in 7 seconds. And if there is an anomaly, say an election for Part B when you wanted to say D, it stops and tells the technician there is an anomaly in the application that needs to be tended to.

Now, that will save 40 work-years. It was all gummed up from years of not having a confirmed Commissioner who could drive things through the office of information security and the lawyers and the policy and all of that.

We got it done quickly, but it is 40 work-years. We are hitting bunt singles. We are hitting them fast. Some of those things involve better use of technology and automation. But the sort of things that are total system changes, we do not have the money to do. We could, and it would be a good expenditure.

You know, we have a little museum up at Social Security. It is only about the size of two big rooms. But you go through there and you see Walter Cronkite interviewing the head of technology at Social Security in Baltimore in like 1969, and they are so proud that this agency that serves the American people is at the forefront of technological innovation and customer service.

That was then, man. That is not now. This agency, there is nothing we can—there are no clever tricks of technology that can cross that yawning gap between beneficiaries going like this [pointing up] and staffing at a 27-year low. There are clearly technological improvements, clearly process improvements, but we need additional staff.

Senator BENNET. Well, I hope you will let the committee know, as you get into this, how we can be of greater help to you as well. And I am not surprised, you know, that for somebody who has worked at the local level as you have and as I have, there is a lot of skepticism sometimes of whether a command-and-control approach is going to get the job done.

And the innovation that you are already seeing in the field, I hope you are able to collect that, bring it here, and tell us what we need to do, so that together we can provide a better level of customer service for everybody.

Commissioner O'MALLEY. Thank you. Please come and see SecurityStat in Baltimore. You would dig it as a former city guy.

Senator BENNET. Thank you; thank you.

The CHAIRMAN. Thank you, Senator Bennet.

Senator Whitehouse?

Senator WHITEHOUSE. Thank you very much.

Great to have you back with us.

Commissioner O'MALLEY. Good to be back.

Senator WHITEHOUSE. We are, I think a number of us, working here on ways to make sure that Social Security stays solvent essentially indefinitely. I think if the American people knew that Social Security was going to be solvent into the indefinite future, that Medicare was going to be solvent into the indefinite future, it would have a calming and reassuring effect on folks.

It is just an unnecessary asterisk for them to have to add to their family's financial planning, to think, uh, maybe, what is Congress going to do? So I have proposed a pretty simple bill that kicks in the payment to Social Security back over \$400,000, to honor Joe Biden's promise that he was not going to raise taxes for people earning under \$400,000.

So I would also add that I chair the Budget Committee, and in our hearing last week on the budget, Shalanda Young, who heads OMB, came in and said that this bill was absolutely in line with the principles that President Biden espoused in his State of the Union address.

So I think we have a real chance to deliver that solvency and that security for the American people. I want to ask you to commit to making sure that your team can give us whatever technical assistance and factual support that we need to make sure we make the best presentation and are working with the best factual information as we try to solve this problem, by basically trying to solve two problems at once.

One is an unfair and rigged tax code that lets high-income earners off in a way that regular wage earners are not; and second is the solvency and security indefinitely of Social Security.

Commissioner O'MALLEY. Well, Senator, I look forward to working with you on that. We have an outstanding Chief Actuary at Social Security, and the work that they do, the analysis they can do, the permutations, parameters, probabilities—we would love to be able to work with you on that.

Senator WHITEHOUSE. And it was through your Social Security Actuary that we reached the determination that this would keep Social Security solvent indefinitely—

Commissioner O'MALLEY. The last big—

Senator WHITEHOUSE. Through the entire horizon that the Social Security Actuary looks, it is solvent and probably beyond.

Commissioner O'MALLEY. Yes. Seventy-five years is a long time.

Senator WHITEHOUSE. It is a long time.

Commissioner O'MALLEY. The last time this Congress—well, not this Congress. The last time our Congress wrestled with this, the depletion of that was only about 2 months off of the horizon.

Senator WHITEHOUSE. Yes.

Commissioner O'MALLEY. So hopefully, we will not wait that long. It can be fixed. I learn something every day up there, but one of the things I learned was, I asked Steve Goss why is it, what did we get wrong when we said it was going to be 75 years solvent in 1982, but now we have moved that depletion event up to 2034?

He said we got two things wrong. We failed to account for the depth and the breadth of the recession and what that would do. But he also said the bigger problem was the tax reforms that followed the 1982 solvency fix, which shoved so much earned income out of the bracket to which FICA applied, that instead of it capturing 90 percent of earned dollars, it only ended up capturing 82 percent as we chose to concentrate at the very top earners the income growth for the next 40 years.

Senator WHITEHOUSE. Yes, yes. There are two problems. One is the cap, and the other is the ability of very highly paid individuals to divert their pay through an LLC or shell corporation so that it does not come in as taxable wages. And we are going to try to solve both of those ways around fair taxation, and do so in a way that takes this worry—is Social Security going to be there; is Medicare going to be there for me?—off the list of things Americans have to worry about.

And let me just, in my 40 seconds that remain, commend you for the emphasis you have put on customer service. Your colleague over at the IRS has been beefed up with considerable resources for customer service, and I will tell you that, sitting down with Rhode Island's Taxpayer Advocate, they are seeing results. They are seeing wait times reduced. The Taxpayer Advocate also has to go get in line with IRS central to get information. So, if they are jammed up at IRS central for information, even Taxpayer Advocates have to intermediate between a concern of an irritated taxpayer and the institution.

They are just seeing there like all their decks—they are just clearing through their backlogs, and it has really been a very, very big deal for ordinary Americans who have to deal with the IRS to be able to see that happen. So, make it happen for Social Security too, and we will have a lot of happy customers.

Commissioner O'MALLEY. We can do it.

The CHAIRMAN. I thank my colleague

Next is Senator Casey.

Senator CASEY. Mr. Chairman, thanks very much. And, Commissioner, I want to thank you for having two rounds today.

For those who do not know, our Aging Committee had a hearing with the Commissioner earlier today, and we are grateful for your service, grateful for your willingness to do this difficult job, and grateful for your testimony today.

I wanted to try to cover maybe at least two issues. One is Supplemental Security Income and child applicants. That is the first issue. It has been well documented that the number of children receiving so-called SSI is 20-percent below what it was prior to the pandemic.

SSI benefits, as you know, are especially important for children with disabilities, and for children of parents who have disabilities. Families that include a member with a disability have up to 25 percent more expenses than a family without a member who has a disability.

So those families obviously have financial burdens that others do not, and we know that SSI benefits provide a stable, important source of income to address these additional expenses. And I am concerned, as I know you and so many others are, about the 20-percent decrease in child recipients. It means that hundreds of thousands of families may be struggling to meet the added expenses that a disability can bring to a child and that child's family.

In Pennsylvania, SSA and the State disability services office work to identify children who may be eligible for SSI and let their families know that their children may be eligible for SSI. Nationwide however, the child SSI applications are only slowly increasing.

What is the Social Security Administration doing to address the decrease in child SSI recipients? That is one question. And the other is, how is SSA, the Social Security Administration, reaching out to families who may have a child who is eligible for SSI benefits so that families can apply for the resources Congress intended for them to have?

Commissioner O'MALLEY. Senator, it is my understanding—and we have been analyzing the results that this campaign might have yielded—we spent a fair amount of money doing outreach and doing advertising.

In your own State, as you mentioned, your State government, the government of the Commonwealth, took it upon themselves to do outreach and to do mailers. We saw some uptick. Overall, I am not sure that we can say that it was directly attributable to that advertising campaign.

It would seem to me that the better approach would be to work with our brother and sister agencies in HHS to better target those households, those families, the guardians of those children or parents, and that would, I think, be the more cost-effective and better way to go. Also, to reach out to schools and school systems. There is a network out there of people who already work with children day in and day out, and I think that that is the direction into which we will probably pivot. It is a much more sort of data matching, targeted network approach to reaching the right households with kids who qualify but are not applying.

Senator CASEY. Yes. Well, we look forward to working with you on that to get those numbers up. Like a lot of things in the pandemic, we are still trying to better understand why.

Commissioner O'MALLEY. Right.

Senator CASEY. We look forward to working with you on that.

The other thing I wanted to ask you about is ABLE accounts. I was able to pass—it is almost 10 years ago, it will be 10 years in December—legislation, with the chairman's help at the time, so-called ABLE accounts, where we changed the tax code so you could save for a disability just like you save for college.

We had this anomaly in the tax code where literally, in the same family, one daughter could have a 529 account for the family and anyone who wanted to help that child save for higher education,

yet her sister who might have a disability might go to college or might not. Because her sister has a disability, there is no way to save for that sister beyond the \$2,000 cap.

So we changed the law, and now those families can save up to \$100,000 a year. So it makes it possible, for example, for SSI recipients to save up to \$100,000 a year for disability expenses, and still maintain SSI benefits. Here is the problem: the number of people with ABLE accounts in the country is only about 165,000.

So the eligibility is wide, but the sign-up, or those who have taken advantage of it, is small. So literally, every person who is an SSI recipient and who had acquired their disability before the age of 26 is eligible to open an ABLE account.

So I want to work with you on that. I just would ask you—and I can submit it for the record, because I know I am out of time—but maybe we can work together on that. I will submit some questions about how we can work together.

Commissioner O'MALLEY. I would very much like to do that. I think there might be some interchange here and some play with the kids aging out of foster care as well, and something the agency might be able to do more proactively.

I also met recently with the State Treasurers of the Nation. They were in town 2 weeks ago here, and I met with them and had a lot of conversations. They take pride in administering the ABLE accounts and overseeing them, and so I think we need to do more of the ABLE accounts and less of the other sort of accounts.

Senator CASEY. Commissioner, thanks very much.

Thank you, Mr. Chairman.

Commissioner O'MALLEY. Thank you.

The CHAIRMAN. Thank you, Senator Casey, and good work for all those disabled kids all these years.

Senator Tillis is next.

Senator TILLIS. Thank you, Mr. Chairman. Mr. O'Malley, Commissioner O'Malley, Martin, thank you. You know I supported your confirmation process, because you convinced me with the work that you have done as a public servant that you get it in terms of transformation.

I have a really quick question for you. It has to do with funding. You and I talked about a version of this document [holding up a chart]. I think at one point we were saying maybe you ought to reverse the order, because this is probably a trend that bears repeating if you have already talked about it.

This used to be pretty close to the service levels before you got whacked on funding, right?

Commissioner O'MALLEY. Yes, sir.

Senator TILLIS. Okay.

Commissioner O'MALLEY. Prior to 2018, we delivered.

Senator TILLIS. So, in a way, you kind of want to go back to the future. Talk a little—

Commissioner O'MALLEY. Yes, sir. Nostalgia's not everything it used to be, but in our case it was.

Senator TILLIS. Yes. So, I mean—it really is. Are any of these service levels in the green here, where you want to get to, substantially different from when you had the funding streams to actually drive these service level outcomes? Are they roughly the same?

Commissioner O'MALLEY. That is roughly where they were in 2018.

Senator TILLIS. Okay. Tell me a little bit about—I like the control room that you have set up. Have you discussed with anybody what you are trying to do now, in terms of cadence and trying to affect transformation in Social Security?

Commissioner O'MALLEY. Not yet here today. I would be glad to.

Senator TILLIS. Yes, could you run through it really quickly?

Commissioner O'MALLEY. Yes; sure.

Senator TILLIS. And I know you were formerly a politician, so try to be brief. I've only got 3½ minutes.

Commissioner O'MALLEY. Thank you; thank you. We have in essence, within 30 days of the New Year, actually on February 5th, we launched and had our very first meeting of a new agency-wide performance management regimen we call SecurityStat.

It is kind of like a doubleheader Monday, doubleheader Tuesday, and then the following week, two more meetings on the Monday, two more meetings on the Tuesday, and then we rinse and repeat.

So we have created an agile every-2-week cadence, in a room a little smaller than this one. We have about 15 of the most relevant Deputy Commissioners around the table, and for 1 blessed hour we lock the whirlwind outside, and we focus on field operations.

We take a break, go across the hall to the follow-up room. We memorialize in the after-action report the things people agreed to get done within the next 2 weeks. One component might have lead—maybe the legal counsel has an answer she needs to run to ground in order for Policy to move and make a change.

And then we go back across the hall and resume for the second hour. That focuses on HR. The next day, one solid hour on the 800 number, and so on.

Senator TILLIS. I like the framework. How have people reacted to it, because it's probably a little bit different framework than they have been accustomed to over the past few years?

Commissioner O'MALLEY. It is very different in two respects. One is, we have all kind of fallen in, or maybe we have never gotten out of, the rut of annual budget cadence. You know, give me 1 percent improvement every year so we are not embarrassed at our budget hearing. So this is every 2 weeks—every 2 weeks.

The other way it is different is, there is a culture of, if you have an hour with the Commissioner, you want to fill that hour up with 60 slides. The last one you present in the final 30 seconds, and then it says "Any questions?" So instead, we really use the data, the maps, and the latest emerging information shared by all.

It's livestreamed to 220 members of the senior executive service throughout the country, and what we like to do—it is more like a jury. You know, you have about 15 people who focus on the latest evidence of how we are doing, what we are doing, and we ask the question, "What are the actions we can take to get a better result by the time we are back here in 2 weeks?"

Senator TILLIS. Give me an idea of what you have done to get out to the field, and what is the reaction there? I am assuming you have been out.

Commissioner O'MALLEY. Yes, sir. Within the first month, in a 16-day period of time in the winter, I visited all nine regions. The



Social Security Administration is divided into nine regions. So, every day was spent not only getting to know the command staffs of that region, not only doing a big town hall with employees listening, getting ideas, but sitting with people on the headset on the other end of the call from a customer or on the other side of the glass divider in the field office.

I learned a lot, and we hit all of those, like I said, in the first week of January. It has made a big difference, because some of the best ideas came from people who have been doing the job in frustration, who felt like nobody was listening.

Senator TILLIS. That is good to hear.

I am about out of time, but when can we expect going into a phase where you would present to the members—at least the Finance Committee, if not the members at large—what you found, what efficiencies you intend to drive out?

You can provide that for the record if you have a project plan, and I had another question that I will just submit for the record in the interest of time.

But thank you, and I believe that you just have to maintain that continuous feedback—get out there. And I also thank you for the policy that you have taken on having people come back to work.

There are some people, I think, who have been misinformed, thinking that you have not sent that message. Half of success, or 90 percent of success is showing up, and I appreciate the fact that you are having your employees show up.

Thank you, Mr. O'Malley.

Commissioner O'MALLEY. Thank you.

The CHAIRMAN. Thank you, Senator Tillis.

Senator Warren?

Senator WARREN. Thank you, Mr. Chairman.

So, when American workers pay for Social Security, I think they deserve to know that they are going to get the benefits that they earned. That is why President Biden and Democrats in Congress are fighting to protect and to enhance Social Security, funded by making the wealthy pay their fair share.

But today I want to focus on an issue that does not get much attention, and that is State governments seizing Social Security benefits for foster youth, often with the help of predatory private contractors. Now, some people might say, "Wait a minute, you are talking about children getting Social Security."

Well, we have to remind people that half a million children are in the foster system, and some of these are children with disabilities who need extra care, which makes them eligible for Supplemental Security Income. And many foster children have lost a parent who had worked and paid into Social Security, which would make these kids eligible for survivor's benefits.

Commissioner O'Malley, you have worked in government your whole life fighting for working families, and now you head up the Social Security Administration. Do you agree that when a parent dies, a child deserves and often desperately needs the Social Security benefits that their parent earned?

Commissioner O'MALLEY. Absolutely.

Senator WARREN. Yes. So the law says that Social Security survivor's benefits must be used in the child's best interest for unmet

needs, and yet, if that child is in foster care, their benefits may be seized by State agencies that are responsible for taking care of them.

States, with a little help from the Federal Government, fund the foster care system, but dozens of States are now secretly screening the kids in their care to see if they would be eligible for Social Security benefits, sometimes even hiring data mining companies to try to identify targets and then funneling those Social Security benefits into State coffers to pay for anything from paper clips to prisons. In 2018 alone, States took at least \$179 million from foster kids, and in many cases, these children did not even know that they were entitled to the money.

Commissioner O'Malley, when I heard about this, I nearly fell out of my chair.

Funneling a foster child's benefits into State coffers and not directing an additional cent toward improving that child's life, does that sound like it is meeting the legal requirement that those benefits be used in that child's best interests?

Commissioner O'MALLEY. It certainly does not sound like the sort of policy outcome that any of us would like for kids in foster care, regardless of whether or not the law says legally they can.

Senator WARREN. All right. Well, I've got even a question about whether or not the law says they can.

Commissioner O'MALLEY. Okay.

Senator WARREN. The law is very clear that those Social Security benefits are to be used for that child, you know, and these kids are not rich. Quite the opposite.

A few hundred bucks a month could make a huge difference in the life of one of these children, to pay for trauma counseling, specialized tutoring, saving for college, saving up money for a down payment on an apartment, because they are going to get dropped from the system when they turn 18 and have nothing.

So here is the good news, Commissioner O'Malley. SSA has the power to ban States from stripping away foster kids' earned benefits. So let me ask you, what are your plans to ensure that foster children's Social Security benefits are used for their own needs, rather than being siphoned off by agencies and for-profit data mining companies?

Commissioner O'MALLEY. Yes. We are taking another look at this policy. There are some 17 States, led by Maryland, that have either passed laws or are considering laws that would require a certain amount of those benefits be conserved for the child.

There are probably a lot of States that would tell you that if a child is in foster care, they pay more than what the benefits are that that child is receiving. So they would argue, with their lawyers, that they are using it for care and maintenance, as indeed a grandmother or another family member might, for care and maintenance.

But when we all know what terrible outcomes kids aging out of foster care have—and we know that at least for this portion of them who receive benefits, there is a better way—we should do what we must so that when that kid ages out of foster care having had benefits, that they are not just given a pat on the back and their clothes in a plastic bag when they turn 18.

Senator WARREN. Well, I appreciate your attitude on this. You know, seizing the benefits that go to some of our most vulnerable children, just to finance other parts of State government, just is not right. And I hope you will pick up all of the tools available to you at the Federal level to make sure that those kids get what their parents were promised back when their parents paid into the Social Security system.

Commissioner O'MALLEY. I am looking forward to continuing to work with you on enacting some of this. You know, 34 of the States claim that they do conserve a portion of it. But we are about to find out exactly how true that is in the research that we are doing.

Senator WARREN. And remember, you've got the Federal power.

Commissioner O'MALLEY. Yes.

Senator WARREN. Thank you.

The CHAIRMAN. Senator Warren, my State, Oregon, has led the country in protecting these kids, and I understand our staffs are talking. So, we will follow that up promptly. It is a serious, serious problem for these kids.

Senator Hassan is next.

Senator HASSAN. Well, thank you very much, Mr. Chair. Thank you, Commissioner O'Malley, for being here today.

During your confirmation hearing in November, we discussed our shared concern over the high rate of agency error in the disability benefits determination process. I also understand that the agency is facing a significant backlog of claims, with more than a million initial disability claims pending, and the average claimant is waiting nearly 8 months for a decision. As you know, agency error and long wait times put already vulnerable individuals at increased risk.

What actions have you taken to address these challenges since being confirmed, and what tangible progress can Congress expect during the coming year?

Commissioner O'MALLEY. And, Senator, to understand the call of your question, when you say, "agency error," do you mean with regard to payments, overpayments, underpayments, or in the decision itself?

Senator HASSAN. In the initial decision itself.

Commissioner O'MALLEY. The Social Security Administration runs what I understand to be the largest public administrative adjudicatory body in the free world. There are several layers of appeals. The one where we are experiencing the most stress, the greatest backlog, and where we have suffered the greatest attrition and the greatest decline in average processing time is at the State DDSs.

Some of them have as many as 30 percent, 40 percent fewer staff than they did before, and while we deploy other cadres from other parts of the agency to try to bail out those DDSs, it has been a real struggle. That is why, in the President's budget, we would allocate—I believe it is \$2.6 billion to bring the staffing at those DDSs back up. That is the most important thing we can do.

We also though have developed some technologies that allow us to do a much faster job of curating, searching, and making a determination on the relevant aspects of 1,000 pages of medical records. That should also shrink the time somewhat.

Those are two of the most important things we are doing. I spoke before on the overpayment aspect. Maybe that plays in here, but the main challenge is that we have people just waiting too long for an initial disability determination. If you are unsuccessful at that initial determination, there is another appeal in the same State office for the same 220 days or more, and then there is an appeal to the ALJ hearing.

Our desire, what we strive to do, is better and more accurate decisions right up front, rather than having to wade through the waterfall or have people delayed. If people should be on, we get them on, or if they should have an allowance, we should do that as early as possible, not as late as possible.

I want to add just one thing. I know I am carving into time here, but it is inspiring what this agency does, for all of its understaffing and high workloads, to do the fast, compassionate allowances when people are really hurting. They do that and they take pride, and they do it silently; they do it quickly though, and they largely do it well for people most in need, within 30 days.

Senator HASSAN. Well, I appreciate that, and I know my constituent service staff would say that they have had some really good, constructive conversations and partnerships with people in your administration. But I do think that initial claim time is really, really important, and the longer it delays, the more it puts people who are very vulnerable and eligible at risk.

I did want to turn to the overpayment and staffing issues, if I could. The next two questions I have are how your budget request can further the Social Security Administration's efforts to prevent those overpayments and improve customer service? Because compared to 1995, the Social Security Administration has currently about 50 percent more customers with fewer staff. This staffing shortage directly impacts customer service, as well as payment accuracy. How does the administration's budget request address the staffing needs at the Social Security Administration, and is there specific funding dedicated to reducing overpayments?

Commissioner O'MALLEY. Senator, thank you. Yes. In the President's budget, we would propose using \$269 million to increase front-line staffing, \$79 million at the teleservice centers that suffer a 24-percent attrition rate, and also \$85 million to the processing centers.

I mentioned, and as I said before—I might have misspoken—the \$2.6, \$2.8 billion for the State DDSs. All of those, along with improvements to technology, will help us to do a better job of catching overpayments. As we have unpacked this issue of overpayments, we have come to the conclusion, based on the data, that we have not seen a big increase in the numbers of people who suffer an overpayment through no fault of their own, but because of our short staffing, it takes us longer to catch up with that overpayment, and so the amount they owe is higher by the time we take care of it. And each of those four areas I outlined are a piece of getting that time down.

Ninety-two percent of Americans, when they are sent a notice that they have an overpayment, actually call us or go to their field office and say, "People make mistakes; I will repay it. Let us work out something reasonable."

But for those 8 percent, we have been treating them in kind of a very heavy-handed and draconian way, with really bad consequences.

Senator HASSAN. And that needs to change. Thank you.

Mr. Chair, a moment of personal privilege. The staff member sitting behind me, Abby Bronson, this is her last Finance hearing. She is going back to New Hampshire to work on housing policy, and I just want to thank her very much for her excellent work.

The CHAIRMAN. Very good; thank you. Thank you for the good work as well.

Senator Blackburn is next, and let the word go to the Democrats and Republicans, we are getting close to the end. The Commissioner has been very patient, so there may be Democrats and Republicans who wish to still ask questions.

We will go with Senator Blackburn next, and then I will have a question or two. But we are going to get this wrapped up pretty quickly. So, Democrats and Republicans, come if you are so inclined.

Senator Blackburn?

Senator BLACKBURN. Well, thank you. Yes, thank you so much, and we appreciate the opportunity to have you before us, and to talk about the President's budget.

One thing that I want to go to is the trust fund, and I know that the Social Security trust fund needs to be shored up. It is to be exhausted in 2033, and then what we have read is, CBO estimates that the program will pay a 75-percent benefit in 2033.

So, when you were before us previously, you refused to take a position regarding what policy options should be explored to shore up the Social Security trust fund. So I would like to know if you have settled on something. Have you made recommendations to the President? Why didn't we see those in the budget?

Commissioner O'MALLEY. Well, Senator, I do not know that I so much refused to take a position, as I deferred to the fact that you are the power that gets to make that decision, not me. But the President has said many times that he believes once people make over \$400,000, they should start paying into Social Security again.

Others have had other times at which they believe that that should happen, and there are proposals out there. Your colleague from Rhode Island was just talking, before you came in, about those things. So I will work, and our Actuary will work confidentially, with any of you who want to look at the various dials, as Senator Cassidy describes them, that are necessary to be adjusted for long-term solvency of the system.

It is true that we face, once again, a depletion event like we faced in 1982. It is coming on us faster, but that does not mean that there is not the will in this Congress to come together and push that out for another 75 years. The Actuary told me there were two things that messed them up that they did not account for.

One was the breadth of the 2007 to 2010 recession. And he said the other thing that we did not account for was this: when President Reagan and Howard Baker and Tip O'Neill asked us to set a level for income, they said to capture 90 percent of earned income. But then tax reforms happened after that 1982 fix, so they ended up only capturing 82 percent of earned income, because we were

going with this notion that if you let wealth concentrate at the highest levels of our country, that will make the economy better.

Agree or disagree with that, the mathematic effect on it was to move that depletion date from 2050 to 2034—2034 is the combined date. But that can also change. The new Actuary and trustees' report will come out within the next 30 days, and you know, we will of course share it with you.

Senator BLACKBURN. Okay, that is good.

Let me ask you this. Since you sit on the Board of Trustees for the fund and the discussions with the Board, what has been their approach to the solvency issue, because I know Senator Cassidy—he and I have talked a lot.

There are things Congress will need to do. There are things the administration is going to need to do. So, as the Board of Trustees has looked at this, what has their approach to the solvency issue been?

Commissioner O'MALLEY. Well, this will be my first meeting of that board. I understand through COVID, they generally got into a habit of kind of accepting the report on Zoom. That is not really the deliberative body, as I understand it.

The Actuary is probably your best bet for sure of someone who can call balls and strikes and score various policy changes. But I do not believe we would ever meet to try to pretend that we are the policymaking body on that. That is your prerogative.

But I really would love—nothing would make me happier during my time here than to be able to serve the members of this committee or Congress overall in achieving what Tip O'Neill and Ronald Reagan did in their own day.

Senator BLACKBURN. Okay.

There have been a couple of mentions of staffing shortages and processing times, and we have looked at that. I found it curious in the President's budget, he has a national paid leave program that he is planning to have run out of Social Security, and you have mentioned difficulty in meeting the workload.

You have even had something, episodic telework, whatever that proposal is. But I would like for you to comment. Do you have the bandwidth to do a national paid leave program when your wait times have doubled since 2019?

Commissioner O'MALLEY. We would have the bandwidth if it comes with the funding that I understand is in the bill. On our current staffing, no, we would not be able to do that. But if the additional funding that comes with that is there to administer it, we could.

Senator BLACKBURN. And returning people to in-person work?

Commissioner O'MALLEY. Yes. Let me talk about that a little bit. The episodic telework is a bit of a red herring. On February 2nd, I did an into-the-camera announcement to all of our staff and said, "Look, you all, we are shifting now to core collaboration days."

What does that mean? In effect, that means I am in at work 5 days a week, and the Commissioner's office is 4 days a week, 1 of telework.

The field offices have been open 5 days a week, 9 to 5, ever since COVID ended, and their balance is, an individual person is 3 days a week in the office greeting customers, 2 days telework, where

they get oftentimes a lot of their adjudicatory stuff done, the processing of the claims on the back end.

And then in all of the regions, we also insisted that we be 3 days in the headquarters, even if you are regional headquarters, and 2 days of telework. This episodic telework thing is in essence this. After I made that announcement, they said, "Well, what if somebody has a sick kid? Are you saying that they cannot work from home when they have a sick kid, and they have to stay home with that child?"

I said, "Well, we're not monsters. We are human beings. So, of course they could do that episodic telework for a half-day." Then our labor commissioner said to me, "You know the unions, the organized workforce, are going to ask if they have it." "Yes," I said, "Don't they already?" They said, "No, they do not." I said, "Well, that is silly."

I had heard—because I traveled all around the country and in all nine regions did town halls. There was a young dad, I forget now, in Kansas or San Francisco. He said, "You know, I had a sick kid, had to get him to an emergency room, but my wife was coming off of her job at noon, and all I said to my boss was, 'Could I have the morning off and come and give you a full shift in the afternoon in the teleservice center,'" and she said, "No, we do not do that."

And I said, "Well, that is stupid." Don't we want more people on our phones when we are suffering from a staffing shortage, our lowest staffing in 27 years, with the highest number of beneficiaries? But the point of that is—and I'm unpacking that on your time—that we have shifted to more people on site, and that is across the country.

The CHAIRMAN. This is an important issue, but we are just going to have to move on. And I look forward to talking with my colleague and the Commissioner.

Senator Brown?

Senator BROWN. Thank you, Mr. Chairman. Commissioner, thank you for being here, and thank you for your willingness to serve.

Social Security is a solemn promise, as we know. People have paid into it all their lives, and deserve to know if the government will protect that promise. I know that it has been threatened by efforts to privatize and to raise the retirement age, and all the things that conservatives have done that don't serve the American public.

I have heard a lot of concern in Ohio about Social Security overpayments. Chairman Wyden and Senator Casey and I sent a letter last fall to the Acting Commissioner, asking why so many people received overpayment notices in error, and what SSA will do to fix it. Ohioans should not pay the price, obviously, for the government's mistakes.

I am pleased to hear about the steps you are taking in your first 90 days to reduce overpayments. I mentioned that to you in some of our private discussions. So, thank you for that, and we will continue to push on that and work on that.

There are steps you, as a Commissioner, can take to reduce overpayments. There are steps that only Congress can take. I know you talked about bunt singles or something, as some Orioles fan might

talk about. I know there is interest in both parties on this committee to work together to address the root causes of overpayments, so that benefits are administered accurately and efficiently.

When you were here in November, you called the SSI asset limit a leading cause of overpayments. You added that it presented a significant administrative burden for SSA. Tell us why you think the current asset limit is a burden, both for you administering it and for beneficiaries?

Commissioner O'MALLEY. The asset limit has not been raised for years and years. The asset limit is \$2,000. SSI is about 4 percent of our benefit outlays, but it accounts for 40 percent of our administrative work.

That is because, as a means-tested program, we have to evaluate every month to make sure that no one in any given month goes over their allowable amount that they can have as assets in a savings account, or in earnings. So in essence, in the short term, if it were raised from \$2,000 to \$20,000, as your bill—and compliments and kudos to you and your Republican colleague, Senator Cassidy, for your efforts both in the Senate and the House, bicameral, bipartisan, to raise that.

Now, you should be very proud of that. Hopefully it is the shape of more common-sense things to come. Eventually probably, as we make it less burdensome for people to apply to the program, more people will apply closer and closer to that \$20,000-limit edge. But the short term will be that it should reduce the incidence and numbers of overpayments.

Senator BROWN. Thank you. And it is just so important when you meet—you know, one thing the chairman's really good at is putting human faces on this. I mean, it is easy to go back home and talk about statistics and this is not right, and that number should be here, and that cost-of-living adjustments should be built into it.

But we did a little event outside the Capitol—back, it was a hot day, I remember, so it was maybe July or August into September—with a young woman from my State who wants to work, and she has worked as a greeter in a restaurant in Athens, OH, and she keeps bumping up against this asset limit.

It makes no sense, and she is single. Raising it to \$10,000 would make a huge difference. I mean, that is why Senators Cassidy and Lankford and Casey and Hassan have all agreed to sign on to this. It is just something we've got to commit ourselves to do.

I'm running over my time. What progress are you making to simplify the SSI application process?

Commissioner O'MALLEY. That is kind of a white whale of our administrative pursuits. People have been saying—in fact, I wish I had a dime for every time a person said, "I mean, why don't you just have TurboTax for SSI?" It is a complex problem. There has been a lot of work done on simplifying it.

We were talking earlier about the declining numbers of kids who apply for SSI. I mean, the end game—the Social Security Administration has been very slow to embrace digital technologies, communicating with people via phone and text. As a result, a lot of our so-called modernization efforts or simplification efforts are really about taking paper forms and turning them into online forms,



which is not really simplification. It might be electrification, but it isn't simplification.

So we need to be building toward the end state of not just simply putting forms with fewer questions on them online. We really need to simplify the program, we need to simplify communications to stay in compliance with the program, and I think our best bet for that is going to be digital and texting technologies.

We are working on it. We are not there yet. A lot of the advocates did not like the first iteration we had because they thought it was exclusive. They believe we should make it simpler for everybody, not just for people who are wealthy and can afford to navigate something like that.

Senator BROWN. Well, we are going to keep watching. The Chair, the President of the Richmond Fed one time said, "Keep watching what I am doing, and keep letting me know that you are watching me." And we will let you know regularly, white whale notwithstanding, that we are watching. Thanks.

Commissioner O'MALLEY. Thank you, Senator, for your leadership on this and so many things.

The CHAIRMAN. Thank you, Senator Brown. And you really have put a human face on this question of the asset limit, and I look forward to working with you to make sure this actually gets done.

Commissioner, it has been a long afternoon. I want to ask you about something, the fancy word for it, apparently, is "effectuation." And I am going to kind of walk you through what we think it is, because when I heard about it, I said, "I am going to bring this up with the Commissioner." This came up, you know, after we talked, so this is all kind of brand new.

It seemed like it had been something more akin to a kind of secret backlog, and here is how it came to us. So, there is a period between the point at which Social Security awards benefits—and in effect gives a thumbs-up to a person—and when the benefit check is mailed or deposited in their account.

Now, many of these, of course, are done very quickly, with no kind of fanfare or anything like that. But we have come up against people who have been waiting for months, and here is the case in Oregon.

We helped a mom in Medford, OR with three kids who had been waiting for 8 months for her disability benefits. By the time she got her first payment, she had basically drained all of her savings and was at risk of losing her house.

So, we have not gotten into this. I had never really heard the word "effectuation," and you and I have talked a bunch of times about how government jargon kind of consumes so much of this.

Back in the days when I ran the legal aid program for the elderly, I used to follow all this. But what can be done—and I recognize this is the first time it has been brought up. What can be done to get on top of this, so that people like the person we helped in Medford, OR are not going to be clobbered this way?

Commissioner O'MALLEY. Yes, sir. When we talk about the backlogs at the processing centers—and those aspects of the President's budget that would allow us to bring down that backlog at the processing centers—I do believe that that is what you are hearing from people when they talk about effectuation, the time it takes to effec-

tuation. They manage to survive and hang in there all the way through the hearing and appeals and everything else, and then they are drumming their fingers for another 5 months waiting for the backlog at the processing centers to clear.

We have a big backlog at the processing centers, but there is no denying the fact that we have lost a lot of staff there as well. And that is why the President's budget is so important to get us back up to that level of customer service so you do not have these cases.

The backlog, the processing backlog—we propose putting \$85 million to address the processing centers' backlog, which should help alleviate some of the waits that people experience in that. I am sure that there is probably more nuance to it, depending on what sort of effectuation it is.

The effectuation for the retirees, as you mentioned, goes very quickly. Others are more complex. If it involves making a calculation in two programs, it can become even more complex than that. But it is that processing center backlog that we talked about earlier where the effectuations are most delayed.

The CHAIRMAN. Well, with your lead, Mr. Commissioner, I will have our staff start talking to your staff. And look, you are making the case that a lot of people would be pretty skeptical that government can do smart stuff and government can do it well.

And you have outlined a number of steps for us today, in response to questions from Democrats and Republicans here on the committee, that are going to set in motion—and you have done it in less than 100 days—some very substantial changes.

So I want it understood that I think you are really off to a strong start in terms of righting wrongs. We have lots of stuff to do, and clearly trying to show that you are making a lot of progress is going to strengthen the hand of those of us who want to make sure you have the resources to do more and to get these policies up and running as quickly as possible. So we thank you.

For the Senators, questions for the record have to be submitted by next Wednesday, March 27th, at 5 p.m.

Commissioner, it has been a long afternoon. Thanks for your good work. Thanks for your patience in responding to all these questions.

With that, the Finance Committee is adjourned.

[Whereupon, at 4:39 p.m., the hearing was concluded.]

## APPENDIX

### ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

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PREPARED STATEMENT OF HON. MIKE CRAPO,  
A U.S. SENATOR FROM IDAHO

Thank you, Senator Wyden, and thank you, Commissioner O'Malley, for appearing before the committee this afternoon to discuss the President's Fiscal Year 2025 budget for the Social Security Administration.

Commissioner O'Malley, during your nomination hearing, you committed to making customer service improvements at the SSA a top priority. During today's hearing, I look forward to hearing more about your approach to addressing SSA's ongoing challenges with wait times for the national 800 number; processing times for disability decisions and improper payments; the data and metrics you are looking at to evaluate your progress; and how the Biden administration's budget request for the SSA supports these efforts.

Average wait times for the national 800 number have ticked down slightly over the last few months, but still remain above 30 minutes. After years of delays, the SSA has successfully transitioned its national 800 number to a new phone service platform. While the budget highlights the expected benefits of this new phone system, SSA must do more to ensure that future information technology projects make responsible use of taxpayer dollars by being delivered on time and on budget.

Americans across the country continue to wait far too long to receive a disability decision from SSA. The President's budget proposes addressing these wait times through hiring and retaining State Disability Determination Services employees and seeking process efficiencies, including improved technology.

The budget also highlights a proposed rule the agency claims would improve its disability adjudication process by reducing the number of years of past relevant work SSA considers when making disability decisions. While SSA's disability rules need revisiting, simplification should not always result in more mandatory spending. SSA should also focus on updating the outdated occupations list used in making disability decisions, to ensure the correct applicants are receiving benefits. SSA has already spent a substantial amount of time and resources on this update, and I urge you to stick to your commitment of making this update a high priority.

During your nomination hearing, Senators on both sides of the aisle underscored the need for SSA to do more to reduce improper payments. Last month, SSA took an important step toward implementing the Payroll Information Exchange provision in the Bipartisan Budget Act of 2015. Once this new exchange is in place, it is expected to improve payment accuracy and reduce the self-reporting burden on beneficiaries.

I also understand that SSA has been reviewing its policies and procedures to identify what more can be done to help prevent and address overpayments. I look forward to hearing more about these efforts today. As SSA continues this work, the agency must be careful to address the initial errors, not just waive the mistakes after they have occurred.

While the President's budget includes operational requests for Congress to consider, it fails in addressing Social Security's long-term solvency. The Social Security program provides benefits to millions of seniors, individuals with disabilities, and their families. We must ensure current beneficiaries and future generations will be able to depend on the program by addressing its financing shortfalls.

The President's budget does not include any legislative proposals to back up his stated commitment to protect and strengthen Social Security. The solutions to preserving it are increasingly difficult as more time is wasted.

Thank you again for being here today, Commissioner O'Malley, and thank you, Mr. Chairman.

PREPARED STATEMENT OF HON. MARTIN O'MALLEY,  
COMMISSIONER, SOCIAL SECURITY ADMINISTRATION

Chairman Wyden, Ranking Member Crapo, and members of the committee, thank you for inviting me to discuss the Social Security Administration's (SSA's) service delivery, customer experience, and Fiscal Year (FY) 2025 budget request. I am Martin O'Malley, Commissioner of SSA, and I am deeply honored to be here today on behalf of the agency's thousands of skilled and dedicated employees.

Social Security is the most far-reaching and important act of social and economic justice that the people of the United States have ever enacted, and it is the honor of a lifetime to answer the call to public service once more by leading SSA towards a better future. In particular, I pledged before this very committee to make improving SSA's customer service my top priority. With your consent, I was sworn in as Commissioner exactly 3 months ago today.

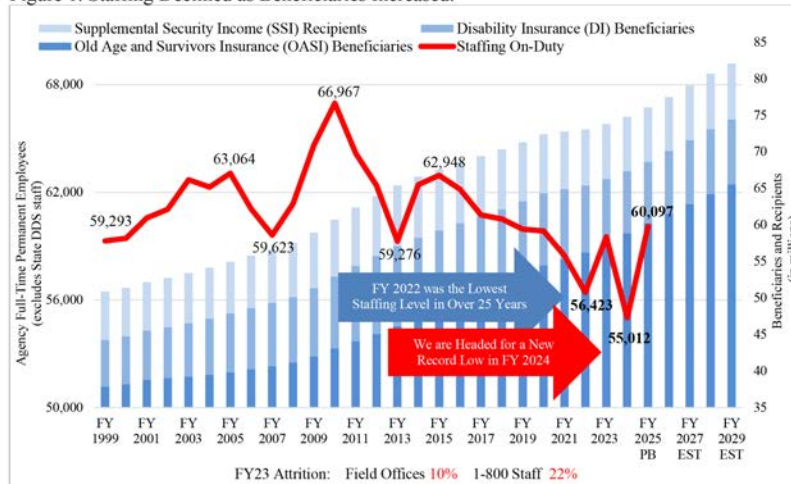
It is my strong belief that the public deserves the highest level of customer service from their government. We owe it to every American to improve the customer service and support provided by Social Security, so people can get answers to their questions and get their benefit applications decided in a timely manner. These are your constituents, your neighbors, your friends, and your family. They have paid into the Social Security system, and that includes paying for adequate customer service from the agency.

THE CURRENT STATE

*Social Security Is Serving More Customers Than Ever Before With Fewer Staff Than Ever Before*

By the end of FY 2024, SSA will serve over 7 million more beneficiaries with about 7,000 fewer full-time permanent staff when compared to FY 2015 (Figure 1). While modernization and other efficiencies have helped for some things, there is no way around the fact that the agency cannot keep doing more with less.

Figure 1. Staffing Declined as Beneficiaries Increased.



SSA's budget was essentially level from FY 2018 through FY 2021, while costs continued to increase. We had to make difficult decisions to cut funding in certain

areas, such as staffing and overtime. As a result, we ended FY 2022 with our lowest staffing level in 25 years.

With your support, we received a \$785 million increase in FY 2023 over FY 2022. We used that funding to begin to rebuild our workforce to better serve our customers and beneficiaries. Our staffing increased to nearly 60,000 at the end of FY 2023—still historically low, but better than the roughly 56,000 at the end of the prior year.

Currently—due to the extended continuing resolution (CR) that we are under in FY 2024—we have stopped all hiring, and our staffing levels have already fallen below where they were in April of last year. If we continue this path of no hiring, we will fall to a new all-time low of around 55,000 full-time permanent staff by the end of this fiscal year—nearly 11 percent lower than the roughly 62,000 full-time permanent staff we averaged from 2010 through 2019.

Similarly, the State Disability Determination Services (DDS) were able to make some progress increasing their staffing levels in FY 2023, following years of record-high attrition and a historically low staffing level in FY 2022. But in FY 2024, the DDS have quickly dropped below last year's staffing levels due to our pause in hiring given the funding level, which is leading to a severe setback in addressing a service delivery crisis.

#### *SSA Has Extremely Low Operating Expenses*

Members may be surprised to learn that Social Security has now been reduced to operate on *less than 1 percent* of its annual benefit payments. This is extremely low—much lower than private insurance companies. For instance, Allstate operates on 19 percent of its annual benefit payments, and Liberty Mutual operates on nearly 24 percent of its annual benefit payments.

Please know that I am not suggesting that this was something done knowingly and willingly to Social Security by members of Congress. However, Congress has not granted Social Security its own budget or appropriations hearing in 9 years.

We can and must do better. We want to work with Congress to sustain the funding increases in the President's FY 2025 budget and beyond, to enable SSA to improve service levels and reduce wait times.

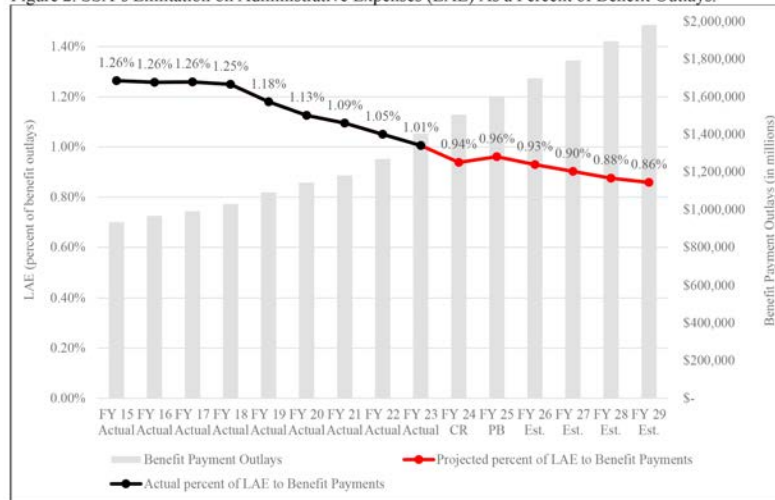
Under the current system, Social Security's operating overhead, as a share of benefit outlays, has shrunk by 20 percent over the last 10 years. A decade ago in FY 2015, Congress provided a funding level that represented 1.26 percent of benefit outlays for operating expenses (Figure 2). But the proportion has been shrinking over time, as our appropriated administrative expenses have not kept pace with the growth in our beneficiaries and benefit outlays. In FY 2023, it was down to 1.01 percent, and under a full-year CR for FY 2024, it will drop under 1.0 percent for the first time ever, to just 0.94 percent.

#### *Our Service and Customers Are Suffering*

As a result of this historic underfunding and understaffing, Social Security faces a service delivery crisis. The situation is dire, and the public we serve is paying the price as they attempt to access the benefits that they have already worked their whole lives to earn. For example:

- Backlogs in the States continue to grow. Disability applicants are waiting on average nearly 8 months (228 days) for an initial decision and an additional 7 months (223 days) for those who request a reconsideration. However, for those applicants with the most severe health conditions, we award benefits in less than 30 days.
- People who try to reach us by phone are now waiting on hold for 38 minutes or more on a dysfunctional 800 number system.
- And our agency has long strived to get the right amount to the right person at the right time, but struggles to catch erroneous overpayments in a timely manner, which can have damaging consequences for beneficiaries.

Figure 2. SSA's Limitation on Administrative Expenses (LAE) As a Percent of Benefit Outlays.



But still, we do our very best every day to serve the highest number of beneficiaries we have ever served in the face of the lowest projected staffing levels in 27 years.

#### HOW WE'RE ADDRESSING THE SERVICE DELIVERY CRISIS

As soon as I was sworn in 3 months ago, I announced my intent to focus the agency on three key service delivery challenges in 2024: disability determination wait times, national 800 number wait times, and overpayment and underpayment inequities.

Since then, I have held countless briefings with executives and staff, met with labor partners and advocates, and most importantly, I have traveled to SSA's regions across the country to meet with and learn from the dedicated employees who are tirelessly serving members of the public each day in our offices and on our phones. I conducted 10 town halls in headquarters and the regions where I was able to interact with about 2,000 employees. I visited field offices, hearing offices, processing centers, and teleservice centers. I sat in with call center representatives taking calls and sat side by side with claims specialists interacting with the public. I heard countless suggestions for improvements both big and small, some of which we are already beginning to implement. I also made an open call for employees to submit their ideas and insights for improving customer service, and so far, we have received nearly 3,000 submissions and counting. I am grateful to the dedicated SSA employees who took the time to submit their ideas, and I have begun to personally review and respond to as many as I can each week.

Based on what I have learned from inside and outside of the agency, including conversations with employees and customers, I have implemented numerous changes to improve both our employees' experience and our customers' experience with us. I like to call these quick wins or low-hanging fruit—that is, things where we have the authority and the ability to act quickly and make immediate improvements, no matter how seemingly small.

For example:

- During my visit, one employee in Boston identified the need for a simple technology fix to create a “no to all” button (similar to “select all”) within the claims-taking process on Supplemental Security Income (SSI) applications. By doing so, we could reduce staff time in collecting information on applicants' financial resources. We were able to implement this fix within 4 weeks of first hearing the idea.
- Also based on an employee suggestion—this one from Birmingham—we rolled out a nationwide expansion of a new Automated Medicare Process (AMP) to

improve back-end processing for online Medicare claims. This will reduce processing time from 7 minutes to 7 seconds, freeing up the equivalent of around 40 people to do other critical pending work. In 1 week, we implemented a fix that had been stalled since 2011.

- To further increase our ability to collaborate, engage, and innovate across the agency, I announced an increase in on-site presence at SSA's headquarters and regional offices, starting April 7th. (SSA's field offices have been fully open to the public since early 2022 and are not affected by this change.)
- Last month, we published formal notice of our plans to access and use information from payroll data providers.<sup>1</sup> This long-awaited automated payroll information exchange (PIE) will reduce wage-related overpayments by ensuring we receive timely and accurate wage data. The notice is open for public comment until April 15, 2024, and we encourage all interested parties to submit comments.
- We are also working on three final rules that will simplify and streamline the consideration of non-cash assistance within the SSI program. By taking these actions, we will increase the accessibility of this vital needs-based assistance, while also decreasing overall processing time.

#### *SecurityStat*

On February 5, 2024, we launched SecurityStat, standing biweekly leadership meetings to track and align on key performance outcomes across rotating challenges. Many of you have kindly sent your staff to observe this new way of doing business at SSA. Your attention, your interest, and the presence of your staff at our side have been more deeply appreciated than you can know.

SecurityStat is based on the successes I had with CitiStat and StateStat in my prior roles. I have found in my past experience that a focus on data for all, combined with regular accountability and collaboration, helps to create a winnable game for employees and improve performance across the board, especially in large agencies. That is precisely what SecurityStat is about.

The four central tenets of SecurityStat are: timely, accurate information shared by all; rapid deployment of resources; effective tactics and strategies; and relentless follow-up and assessment.

SecurityStat is critical because the service delivery challenges that we face are cross-cutting. No one component of SSA, no matter how well-led, can solve any one of these problems by itself. Rather, we must work together across the agency in timely, agile, and collaborative ways as never before. SecurityStat provides a systematic and recurring method of doing that, by gathering the top leaders in a room together and engaging in data-driven performance management.

So, every 2 weeks, in a rotating fashion, we gather together and focus intensely on the most important things SSA is charged with accomplishing for the American people and for you, their members of Congress. For 1 blessed hour every 2 weeks we focus, together, on each of eight key challenges:

- Field operations.
- Human Resources.
- National 800 number.
- Overpayments and underpayments.
- Disability determinations.
- Disability hearings.
- Fraud.
- Notices.

On an encouraging note, I have found that there is a certain muscle memory at SSA. The senior executives and front-line managers have responded very positively to this newer, faster cadence of collaboration and accountability.

On the first Monday of the SecurityStat rotation, we begin by focusing on field operations—the more than 1,200 field offices, 8 processing centers, and 24 tele-service centers that make this agency go. We discuss ways to reduce the attrition

<sup>1</sup> SSA, "Use of Electronic Payroll Data To Improve Program Administration." Federal Register, 89 FR 11773. February 15, 2024, <https://www.federalregister.gov/documents/2024/02/15/2024-02961/use-of-electronic-payroll-data-to-improve-program-administration>. See also: SSA, "Social Security Publishes Proposed Rule for Payroll Information Exchange to Reduce Improper Payments," February 15, 2024, <https://www.ssa.gov/news/press/releases/2024/#2-2024-2>.

rates that plague the agency, currently 10 percent in the field offices and 22 percent among the staff answering the phones on the national 800 number. We discuss ways to improve performance and service delivery even in a reality where customers keep increasing and staffing keeps declining. Then, we focus on the flip side of service delivery—the human resources of the skilled and trained employees necessary for us to serve the American people even as we labor under a total hiring freeze.

On Tuesday mornings in the first weekly rotation, we turn first to Social Security's national 800 number. Average wait times for customers trying to reach us by phone have skyrocketed to 38 minutes today, nearly double the FY 2019 wait time of 20 minutes. Five to 7 million people call our 800 number every month, and about 4 million of them hang up in disgust after waiting far too long. This year was the 35th anniversary of our 800 number, and it was a challenging one thanks to a woefully underperforming phone system that has fallen far short of our expectations. Under the current technology, our managers have no visibility into the work being done, and call-takers have no view into the customers who pop up onto their screen. In addition to the technology shortcomings, we are struggling now with a 22-percent attrition rate in our teleservice centers and among other staff answering the phones. All options are on the table as we do everything in our power to reduce unacceptably long wait times being endured by our customers.

#### *Overpayments and Underpayments*

In the second topic of our first Tuesday rotation, we turn to overpayments and underpayments. For 88 years, the hardworking employees of the Social Security Administration have strived to pay the right amount, to the right person, at the right time. And the agency has done this with a high degree of accuracy over a massive scale of beneficiaries; our overall accuracy rates are 99.34 percent for Social Security and 90.80 percent for SSI based on our stewardship reviews.<sup>2</sup> In fact, one of the unsung stories of heroism in our Nation's battle against the COVID-19 pandemic was SSA's Herculean accomplishment of cranking out those checks to protect beneficiaries' income and health care during a critical time in the pandemic.

But despite our best efforts, we sometimes get it wrong and pay beneficiaries more than they are due, creating an overpayment.

When that happens, Congress requires that we make every effort to recover those overpaid benefits. But doing so without regard to the larger purpose of the program can result in grave injustices to individuals, as we see from the stories of people losing their homes or being put in dire financial straits when they suddenly see their benefits cut off to recover a decades-old overpayment, or disability beneficiaries attempting to work and finding their efforts rewarded with large overpayments. Innocent people can be badly hurt. And these injustices shock our shared sense of equity and good conscience as Americans.

We are continually improving how we serve the millions of people who depend on our programs, although we have room for improvement, as media reports last fall revealed. We have also embarked upon a deep dive into the extent of the overpayment problem at Social Security, the root causes of these administrative errors, and the steps we can take as an agency to address these individual injustices.

Our deeper understanding of the complexities of this problem has set us on the following course of action:

1. Starting next Monday, March 25th, we will be ceasing the heavy-handed practice of intercepting 100 percent of an overpaid beneficiary's monthly Social Security benefit by default if they fail to respond to our demand for repayment. Moving forward, we will now use a much more reasonable default withholding rate of 10 percent of monthly benefits (but not less than \$10 per month)—similar to the current rate in the SSI program.
2. We will be reframing our guidance and procedures so that the burden of proof shifts away from the claimant in determining whether there is any evidence that the claimant was at fault in causing the overpayment.
3. For the vast majority of beneficiaries who request to work out a repayment plan, we recently changed our policy so that we will approve repayment plans of up to 60 months. To qualify, Social Security beneficiaries would only need to provide a verbal summary of their income, resources, and expenses, and recipients of the means-tested SSI program would not need to provide

<sup>2</sup>See *PaymentAccuracy.gov*. These overall accuracy figures consider both overpayments and underpayments for FY 2022, the most recent data available.



even this summary. This change extended this easier repayment option by an additional 2 years (from 36 to 60 months).

4. And finally, we will be making it much easier for overpaid beneficiaries to request a waiver of repayment, in the event they believe themselves to have been without any fault and/or without the ability to repay.

Implementing these policy changes—with proper education and training across the people, policies, and systems of the agency—is an important but complex shift. And we are undertaking that shift with urgency, diligence, and speed.

There are some changes that can only be effectuated by the will and good judgment of Congress. I look forward to working with members to discuss ideas that could address the root causes of overpayments.

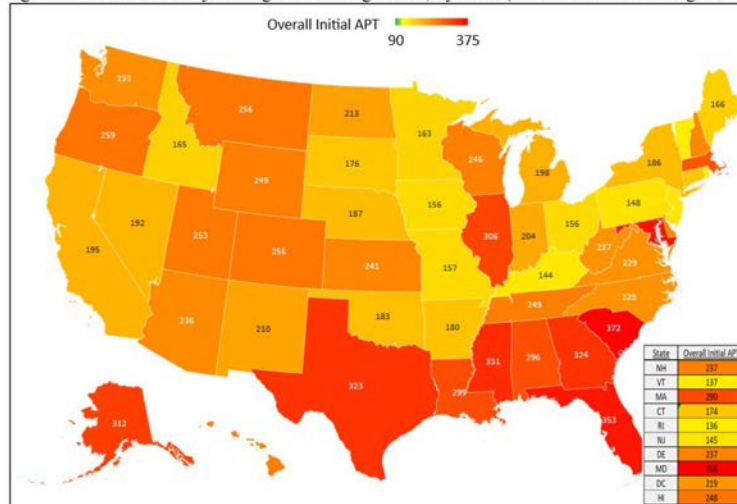
In addition to our focus on overpayments, we are also working to increase our processing of SSI underpayments, particularly for the oldest and highest-priority cases. As of March 11th, we have processed 46,319 underpayments and released approximately \$120 million this fiscal year to our customers with these aged and priority underpayments. And we are on track to complete 98 percent of these underpayments by the end of FY 2025.

#### *SecurityStat, Continued*

As we continue our SecurityStat rotation into the second week, on Mondays we focus first on the shamefully long time that it now takes for State DDSs to make an average initial disability determination. Ten years ago, when our appropriations represented a larger share of our annual outlays, we were able to make these needed determinations in 110 days. But today, operating on less than 1 percent of annual outlays, it takes our DDSs an average of 228 days to make the same initial determinations (Figure 3). We have the longest average processing time and the highest number of pending cases ever in the history of our disability program for initial claims.

In other words, disability applicants are waiting on average nearly 8 months (228 days) for an initial decision and an additional 7 months (223 days) for those who request a reconsideration. We must do better, and our long-term goal is to reduce those waits to 4 months (120 days) each.

Figure 3. Initial Disability Average Processing Times, by State (FY 2024 to date through 3/9/24)



At the next level of appeal, disability applicants who have requested a hearing with an administrative law judge (ALJ) currently face an average wait time of 365 days—a whole year—to get a decision. We continue to work toward our goal of issuing hearings decisions within 9 months (270 days) on average.

On Tuesdays of the second week of the SecurityStat rotation, we focus with the Office of Inspector General at the table on fraud and the tactics and strategies we can take, together, to get inside the turning radius of the bad actors. Following the fraud stat, we focus for 1 hour, as a group, on what we can do to reduce the number, expense, and confusion we inflict upon our customers through long and impossible-to-understand notices.

So that is how we spend our weeks fighting to serve an all-time high number of customers with a 27-year low in staffing. Our duty is to serve the people who depend on the benefits they have earned through Social Security.

I remain encouraged that the overwhelmed, hardworking, exhausted men and women on the frontlines of this agency—those who haven't quit to find less stressful or higher paying jobs elsewhere in the Federal Government or beyond—still wake up every day to serve their country by serving their neighbors.

#### *Our FY 2025 Budget*

I am confident that with the rapid cadence of accountability and collaboration that SecurityStat provides, and continuous solicitation of areas for improvement from employees and customers, we will begin to make forward progress. But we cannot do it alone; we need your help to ensure we have the necessary funding and staffing.

As the Mayor of a cash-strapped city and then a recession-era Governor, I'm quite familiar with operating on tight budgets. I also spent nearly a year intensely studying SSA materials from the outside before my confirmation. Even with all of that, SSA's budget is far more dire than I thought. Years of underfunding have decimated our staffing levels and therefore also our ability to serve the public.

Coming off a challenging budget year in FY 2024, it is critical that we receive adequate funding in FY 2025. Approval of the FY 2025 President's budget request of \$15.4 billion for SSA would allow us to begin making progress toward improving customer service.

We know that additional funding makes a difference. The U.S. Department of Veterans Affairs (VA) received an infusion of funding and increased its satisfaction and trust among veterans from 50 percent to nearly 80 percent. The Internal Revenue Service (IRS) used additional funding to reduce its call wait times from 30 minutes to 4 minutes. SSA was able to dig out of the initial disability claims backlog during the Great Recession with significant funding provided through the American Recovery and Reinvestment Act of 2009. I am confident we can do it again, but it will take sufficient funding, just as it did for IRS and VA.

Under the FY 2025 President's budget, we would be able to restore staffing to FY 2023 levels and begin to improve our service delivery. The budget supports an infusion of staff in our teleservice centers to significantly reduce 800 number wait times, to 12 minutes in FY 2025. The budget will also expand staffing and overtime in the DDSs, yielding an expected 185,000 more initial disability claims processed and over 100,000 more reconsiderations than we estimate processing in FY 2024. We will focus on those customers waiting the longest for a decision, which will pave the way for dramatic improvements in average processing time. The budget also includes the resources needed to reduce the hearings backlog and prevent its recurrence as we work down the initial claims backlog.

#### IN CONCLUSION

The American people worked their whole lives to earn the benefits of Social Security—and those benefits include the right to an appropriate level of customer service. I have every confidence that a restoration of service levels at Social Security—here and now—will produce a dividend of trust for generations to come.

Let me say, finally, on behalf of the agency, how grateful I am for the funding level proposed in the FY 2025 President's budget. This additional funding will be a huge help in our mission to provide the American people with a level of customer service for which they've already paid, but have in recent years consistently been denied.

I look forward to answering your questions.

And it is my great honor to serve the people of our republic in my capacity as their Commissioner of Social Security.

## Social Security Administration

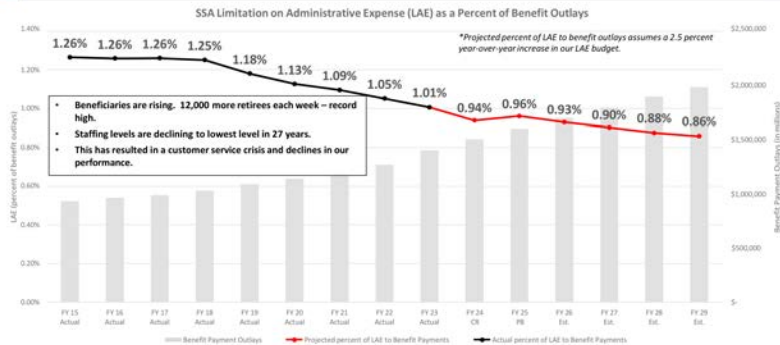
### A Path to Improve Customer Service Today and Into the Future

March 2024

#### Staffing Declines As Beneficiaries Rise



#### Administrative Funding Declining as % of Benefit Outlays



## Where we are now (through February):

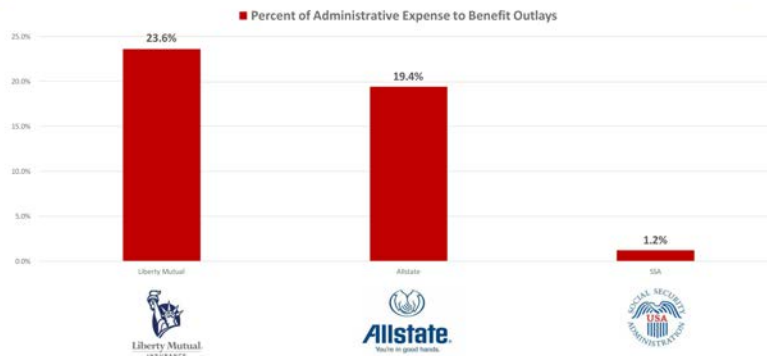
Wait Time on our 1-800 Number  
38 minutes

Wait Time for an Initial Disability /Reconsideration Decision  
228 days/223 days

Wait Time for a Hearing Decision  
365 days

4

## We are still far more efficient than private insurance companies in admin expenses



5

## Customer Service Outcomes with Funding at 1.2% of Benefit Outlays



6

## Driving Change, Leading from the Front Lines

- Announced a plan to increase our onsite presence beginning in April.
- Hired new Chief Operating Officer, Chief Information Officer, and General Counsel.
- Conducted 10 town halls throughout the country; over 2,000 employees present.
- Launched SecuritySTAT on February 5 – a cross-cutting performance management program – to accelerate the deployment of a host of customer service improvements.



7

### QUESTIONS SUBMITTED FOR THE RECORD TO HON. MARTIN O'MALLEY

#### QUESTIONS SUBMITTED BY HON. RON WYDEN

*Question.* At the time of this hearing, SSA was operating under a hiring freeze due to flat funding and was at risk of losing 5,000 employees by the end of FY 2024.

How do hiring freezes or hiring restrictions impact customer service?

*Answer.* The inability to hire degrades our customer service in key areas such as telephone service, the time it takes to get an appointment, and claims processing times.

*Question.* Unfortunately, it is not the first time Congress was unable to pass a full-year spending bill and instead enacted continuing resolutions with little or no changes to funding levels.

Please provide all instances of SSA or government-wide hiring freezes or restrictions due to insufficient funding. For each instance, please include impacted components and positions and their respective role in customer service.

*Answer.* For each of the last 12 fiscal years, we had either a hiring freeze or restricted hiring. For each year from FY 2013 through FY 2018, the freezes were

mainly related to starting each fiscal year under a continuing resolution (CR), which restricts our ability to hire and often results in a full or partial hiring freeze. Additionally, in FY 2017, there was a government-wide hiring freeze, which was implemented by the President, which lasted from January through April.

From FY 2019 to FY 2022, our staff components were frozen to dedicate all hiring to front-line positions.

In FY 2023, while we had significant hiring due to a \$785-million increase in our appropriation, we had to significantly reduce these efforts starting in June due to spending limits prescribed in the Fiscal Responsibility Act of 2023. Although we did not have a freeze in FY 2023, there was a significant reduction in the number of hires that were authorized.

These limitations impact all of SSA's components. However, the biggest impact generally affects our front-line operational positions who provide direct public service.

*Question.* As you may know, the Social Security Advisory Board published a report in February 2024 examining the agency's effectuation process, focusing on SSDI and SSI awards. The report found significant variances in processing time based on the type of benefit and the stage in which the claim was awarded. The report also noted data limitations in SSA's 2020 public use file version of the Disability Analysis File which restricted further investigation.

In its October 2022 report to Congress, SSA did not distinguish among SSI-only, SSDI-only, and concurrent claims. Please provide a table of effectuation time by claim title and award level (initial, reconsideration, ALJ, appeals council, Federal court) for each fiscal year from 2019–2023 and FY 2024 year to date.

*Answer.* We do not have the requested information due to systems limitations that do not allow for that type of analysis.

*Question.* Please describe any differences in the effectuation process between claims awarded after Federal court remand are effectuated and other claims. How does SSA track effectuation time for Federal court remands? Does SSA have any plans for improving the speed of effectuation for these cases?

*Answer.* Our analysis finds there are generally no differences in the effectuation process between claims awarded after Federal court remand and other disability claims. Once federally remanded claims are approved by SSA's Appeals Council or an administrative law judge, they are transferred to the effectuation component (field office or processing center depending on claim type) and tracked locally to develop the nonmedical factors and determine eligibility and payment amounts.

In addition to our recent agency accomplishments,<sup>1</sup> and as outlined in our FY 2024 SSA Action Plan,<sup>2</sup> we are continuing to identify ways to optimize our internal and external processes, which would improve claims effectuation. For example, we are working to strengthen employee training, streamline technician tools, expand digital submission channels, and improve our notice clarity.

*Question.* When considering cases that take a long time to effectuate, are there any patterns by case characteristics? Has SSA analyzed its case flow to identify potential sources of process backlogs or inefficiencies? What is SSA doing to improve effectuation time and accuracy for those claims?

*Answer.* Cases that take longer to effectuate generally have a longer look-back period—say, the preceding 24 instead of 12 months—for our employees to obtain and review necessary evidence from the beneficiary and other sources, as appropriate. Some claims are complex requiring manual actions like windfall offset calculations, multiple systems inputs and coordination across field offices and processing centers to determine eligibility and payment amounts. Additionally, the claimant may have moved making it difficult to reach them.

As noted in our response to the previous question, we are working to strengthen employee training, streamline technician tools, expand digital submission channels, and improve our notice clarity.

*Question.* What information does SSA collect about the time it takes different processing centers to effectuate claims? Please share any information for the past 3 fiscal years.

<sup>1</sup> <https://www.ssa.gov/agency/commissioner/100-days-accomplishments.html>.

<sup>2</sup> <https://www.ssa.gov/agency/materials/ssa-action-plan-2024.pdf>.

Answer. We track the percentage of disability claims processed timely meaning they were effectuated prior to the first payment being due or within 16 days of receipt by the processing centers (PCs). Below is a table reflecting PC timeliness for the past 3 fiscal years.

### SSA Disability Claims Timeliness

SSA Processing Center (PC)	FY 2021	FY 2022	FY 2023
PC 1 Northeastern	92.2	92.2	92.0
PC 2 Mid-Atlantic	94.8	96.2	95.4
PC 3 Southeastern	94.3	93.0	91.8
PC 4 Great Lakes	91.6	90.3	89.7
PC 5 Western	91.5	92.3	91.9
PC 6 Mid-America	93.3	94.1	94.0
PC 7 Disability Operations	90.4	93.1	92.2
PC 8 Earnings and International Operations	93.1	87.0	91.7
<b>All PCs</b>	<b>92.4</b>	<b>93.0</b>	<b>92.4</b>

*Question.* SSA's October 2022 report to Congress and the FO2 time metric both measure from the date of the award of benefits to when the awardee is put into pay for monthly benefits. What management information does SSA have on when awardees receive lump-sum retroactive benefits (or, in the case of large underpayments of SSI, the first installment of retroactive benefits)? Does SSA have plans to collect or publish more data on payment of retroactive benefits?

Answer. We track how long SSI underpayments are pending. Our underpayment accuracy rates are high: our internal quality reviews, which a third-party auditor validates, indicate that 91.98 percent of all SSI payments were free of overpayments, and 98.82 percent were free of underpayments in FY 2022. For FY 2024–2025, we have established a new priority goal to increase underpayment processing of our oldest and highest priority cases,<sup>3</sup> including those disproportionately impacted by poverty. Through August, we processed 93,000 underpayments and released approximately \$245 million this fiscal year to our customers with these aged and priority underpayments. We are on track to complete our goal of 98 percent of these underpayments by the end of FY 2025.

We are also working to improve our data on underpayments to inform additional opportunities to expedite processing. For example, we are focusing on processing SSI underpayments that meet our criteria for exceptions to installment payments such as individuals who are terminally ill. As we improve the quality of our underpayment data, we will assess opportunities to collect and publish data on payment of retroactive benefits.

*Question.* Is SSA considering adding Representative Call Centers at PCs that currently do not have them? What factors are involved in SSA's decision-making on this topic?

Answer. Yes, we are exploring the feasibility of adding Representative Call Centers at PCs that do not currently have them, and considering key factors like staffing availability and workload considerations.

Additionally, we updated our Appointed Representatives Services (ARS)<sup>4</sup> application to allow appointed representatives to access a list of all their pending cases,

<sup>3</sup>Per our Updated 2023 Agency Equity Action Plan (<https://www.ssa.gov/equity/assets/materials/2023.pdf>), these priority cases fall into one of the following categories: dedicated accounts with pending payments on a current or prior record, uncashed checks, pending payments over \$5,000, and pending payments on a prior record including potential payments to an authorized representative.

<sup>4</sup><https://www.ssa.gov/ar/>.

electronically, in real time, and to know if their SSA Form—1696 (Claimant’s Appointment of Representative)<sup>5</sup> was processed without having to resubmit the form or contact our offices for status.

*Question.* Please provide data for each of the past 3 fiscal years on the number and percentage of SSI claims where a full claim was taken (also called “simultaneous development”) that were awarded in 120 days or less, 121–150 days, 151–180 days, and 181 days or more. If possible, please provide both national figures and data for each DDS. Does SSA have any initiatives or plans to identify claims that underwent simultaneous development and are approaching 120 days since application in hopes of obtaining a decision quickly enough that a Pre-Effectuation Review Contact (PERC) is unnecessary? Has SSA considered whether 120 days is an appropriate threshold, or are there any plans to do so?

*Answer.* We do not have the requested data, due to systems limitations. However, we want to note that SSI claims that require simultaneous development (*i.e.*, a full claim), such as claims involving Quick Disability Determinations and Compassionate Allowances, are fast-tracked for expedited effectuation.

Additionally, we are evaluating what the appropriate threshold should be.

*Question.* Is SSA familiar with the issue of “phantom” windfall offsets, described by the SSAB as “situations where the SSI portion of a concurrent claim was denied, but the DI effectuator does not act because they are waiting for SSI effectuation”? What information does SSA have about the extent of this issue, and what plans does the agency have to improve effectuation of such claims? Has SSA considered returning to the agency’s previous policy of allowing staff to delete offset coding in MCS before adjudicating claims, and what considerations would be needed to ensure payment accuracy if this were permitted?

*Answer.* Yes, we are familiar with situations when the SSI portion of a concurrent claim was denied, and technicians must update the record indicating windfall offset does not apply. We have updated our systems so technicians can make inputs to delete the offset coding in the Modernized Claims System (MCS) before adjudicating the claim to release the title II retroactive benefits when windfall offset does not apply. We also have mechanisms in place to alert our employees to update the record. However, this process may involve coordination across our field office and PC jurisdictions. We will continue to work to improve complex workloads like windfall offset through training and automation, wherever possible.

*Question.* Does SSA plan to update its Fiscal Year 2024 and/or FY 2025 Agency Priority Goals to include improvements to the disability effectuation process? If so, what are those goals?

*Answer.* We do not plan to update our FYs 2024–2025 Agency Priority Goals (APG)<sup>6</sup> to include improvements to the disability effectuation process.

However, one of our current APGs focuses on improving initial disability processing time, and to help achieve our goal we are:

- Implementing the Past Relevant Work rule<sup>7</sup> to reduce from 15 to 5 the years of work we consider in making disability determinations;
- Restoring a pre-2018 policy, known as Collateral Estoppel, to allow technicians in local offices to apply a prior determination of disability;
- Implementing regulations to streamline what we count as income for calculating SSI eligibility and payments;
- Raising the fee cap for claimants’ representatives to remove a potential barrier for people looking for quality representation;<sup>8</sup> and
- Implementing a final rule,<sup>9</sup> which provides a reliable method for us to directly pay authorized appointed representative fees to affiliated entities.

<sup>5</sup><https://www.ssa.gov/forms/ssa-1696.pdf>.

<sup>6</sup><https://www.performance.gov/agencies/ssa/apg/fy-24-25/>.

<sup>7</sup>Federal Register: Intermediate Improvement to the Disability Adjudication Process, Including How We Consider Past Work, <https://www.federalregister.gov/documents/2024/04/18/2024-08150/intermediate-improvement-to-the-disability-adjudication-process-including-how-we-consider-past-work>.

<sup>8</sup>Federal Register: Maximum Dollar Limit in the Fee Agreement Process, <https://www.federalregister.gov/documents/2024/05/10/2024-10248/maximum-dollar-limit-in-the-fee-agreement-process>.

<sup>9</sup>Federal Register: Changes to the Administrative Rules for Claimant Representation and Provisions for Direct Payment to Entities, <https://www.federalregister.gov/documents/2024/08/>



These improvements will help lessen the administrative burden for claimants, representatives, and SSA employees, and reduce the time it takes to process disability claims.

*Question.* The report identified document submission and processing as a particular pain point of the effectuation process is collecting similar or the same type of information during the claims process. It seems that SSA's eSubmit program would help reduce some of the administrative burden for SSA and its customers. Has SSA considered expanding eSubmit's use to allow awardees and their representatives to submit documents electronically during the effectuation process?

*Answer.* Yes, we plan to expand Upload Documents (formerly eSubmit) to allow claimants and third parties to initiate submissions. We are also reviewing additional forms for inclusion, which could account for over 3 million form submissions each year.

Currently, Upload Documents is available to local offices and Workload Support Units nationwide (about 28,000 employees). Upload Documents allows claimants to upload 50 forms<sup>10</sup> and 77 different types of evidence, upon technician request—allowing us to more efficiently develop the claim. Additionally, this year, we also removed the signature requirement entirely for 13 of our most commonly used forms, totaling about 1 million submissions annually.

*Question.* In 2017, SSA revised its rules related to the submission of medical evidence (Revisions to Rules Regarding the Evaluation of Medical Evidence, 82 FR 5844). Among several changes, the Final Rule eliminated SSA's longstanding recognition that evidence provided by medical providers who have examined and treated the claimant is generally of a higher value than medical opinions issued by those who have never examined the claimant or have only examined them briefly. In an October 28, 2016 public comment letter to SSA, I warned that the rule would “increase delays, as claimants and their representatives would be forced to file additional appeals in order to have the evidence appropriately considered.” Rather than recognizing the probative value of evidence by the claimant's treating physician, DDS examiners may deem the evidence insufficient and instead request a consultative examination, increasing processing costs and further delay the claim's processing time. At a time when over 1.1 million cases are pending at the initial level and staffing shortages at the DDS level, it may be appropriate to revisit this rule.

Has SSA studied to determine whether these rules increased the quality and completeness of disability claims, and whether it contributed to processing times? If so, what were study's findings?

*Answer.* We have not conducted a study, like you describe, at the initial and reconsideration levels of disability claims. However, we are currently studying how administrative law judges apply this rule at the hearing level.

*Question.* In 2018, SSA announced that it would end the 20-year-long pilot of eliminating the reconsideration step in the 10 “prototype” States. At the time, SSA stated it was reinstating the step to provide policy uniformity and cost savings. It also noted that reinstating reconsideration would increase wait times for five times more claimants than it will help, extending wait times by an average of 100 days. At the time, SSA provided my office data that in 2017, approximately 106,000 Americans were denied at the reconsideration step. Of those, 7,500—or 7 percent—would have been awarded benefits had they not given up on the process. With an average agree rate of nearly 90 percent, it appears that the step does not provide additional value to the claimant by adding an additional 200 days before it can appear before an administrative law judge.

It is also unclear whether restoring reconsideration improved processing times or generated cost savings in the prototype States. In 2018, then-Acting Commissioner Kilolo Kijakazi notified Congress that she was putting together an executive-led cross-agency work group charged with identifying and testing processes designed to enhance the reconsideration step. To date, SSA has not provided a report on agency's findings regarding the elimination of the reconsideration step, or the work group's recommendations to enhance or otherwise reform reconsideration.

<sup>21</sup> 2024-18497 / changes-to-the-administrative-rules-for-claimant-representation-and-provisions-for-direct-payment-to.

<sup>10</sup> We also released three fillable webforms: the SSA-827 (Authorization to Disclose Information to the Social Security Administration); the SSA-25 (Certificate of Election for Reduced Spouse's Benefits); and the SSA-795 (Statement of Claimant or Other Person).

Please provide a report to the committee of SSA's findings on eliminating the reconsideration step. The report should include average processing times for initial claims for States in which the reconsideration step was eliminated, and processing times in States that kept the reconsideration appeals step.

Answer. See table.

**Initial Overall Average Processing Time, FY 2017–FY 2023 (Days)**

	2017	2018	2019	2020	2021	2022	2023
<b>National</b>	110.5	111.4	120.2	131.0	165.0	184.3	217.5
<b>Non-Prototype *</b>	111.4	111.8	120.5	130.5	166.7	189.8	225.9
<b>Prototype *</b>	107.6	106.7	115.3	127.8	157.2	161.6	183.3

\*Please note the above numbers breaking out prototype from non-prototype States do not include the State of California. Two offices in California participated in the prototype, but they also continued to assist other California DDS offices and conducted many reconsiderations. Our data does not capture assistance provided within a given State, so including the California data in those categories could skew the data.

*Question.* Please provide the number of claims in which a DDS examiner requested additional medical evidence or requested a CE, or the claimant submitted additional medical evidenced.

Answer. In general terms, approximately 88 percent of initial disability claims processed in a given year require at least one piece of medical evidence (MER), and 39 percent of them require at least one CE, in addition to any evidence applicants provided with their initial claims. Last year there were approximately 1.7 million initial claims requiring MER and 739,000 claims requiring a CE.

At the reconsideration level, approximately 80 percent of reconsiderations processed in a given year require at least one piece of MER and 24 percent of them has at least one CE request. Last year, there were approximately 387,000 reconsideration cases requiring MER and 113,000 claims requiring a CE.

Our data do not capture whether additional medical evidence is submitted without a specific request from the DDS, so we cannot provide that information.

*Question.* Please provide the number and percentage of claimants who chose not to pursue further appeals after the reconsideration level of appeal.

Answer. From FY 2020 to FY 2023, approximately 176,000 (10 percent) of reconsideration-level denials were not appealed to the hearing level.

*Question.* Please provide the estimated cost.

Answer. At my confirmation hearing, I promised to conduct a deep dive on the disability programs and agreed to release a report on the reconsideration step after 6 months in office. We shared this report with your committee on July 2, 2024, which provided these cost estimates.

The report did not include the other items you requested above. Therefore, we addressed those items above.

*Question.* Today, over 1 million Americans are waiting for a decision from Social Security on their disability benefit application. I know there are several factors that contribute to the backlog, but there are things the agency can do to cut red tape so Americans won't have to wait eons for a decision.

If SSA receives the President's requested funding levels, what changes would we see to reduce the current backlog and prevent future backlogs from occurring?

Answer. The President's requested funding would allow us to increase staffing in our field offices (FOs), processing centers (PCs), and State Disability Determination Services (DDSs). The compounding, synergistic effect of the multiple tactics now deployed and planned to attack the DDS backlog cannot be calculated with probabilistic accuracy. But the anticipated increase in staffing would reduce our initial disability claims wait times to an average of 215 days, thereby reducing our claims backlog by 15 percent. For example:

- \$2.8 billion of the proposed funding would be used for payroll, hiring, workload processing costs, and other expenses in the State DDSs to support reducing the initial disability claims backlog. To address the large backlog of initial

disability claims in FY 2025, the proposed funding expands processing capacity at the DDS offices by allowing DDSs to hire about 2,900 people.

- \$269 million of the proposed funding would restore staffing in our FOs to our Fiscal Year 2023 levels. This would allow the FOs to deliver quicker decisions on disability and retirement claims, shorter wait times for an appointment, and improved FO telephone service.
- \$85 million of the proposed funding would be allocated to our PCs to handle more complex benefit decisions and address the PC backlogs.
- \$1.7 billion of the proposed funding would be allocated to our IT services. This funding would allow us to maintain and continue to modernize our large IT infrastructure and increase our suite of digital and automated services.

*Question.* The Vulnerable Population Liaisons (VPL) initiative was developed to serve as the bridge between SSA and underserved communities, partnering with local community organizations and legal aid groups as they assist their clients apply for Social Security and SSI benefits. However, I have heard from legal aid groups in my home State and around the country who have had difficulty accessing contact information for their respective VPL. This raises questions of whether SSA's VPL initiative will only be utilized by those "in the know."

How do local field office management and/or regional offices raise awareness among service providers, community organizations, and legal aid groups on the VPL initiative as a resource?

*Answer.* The Vulnerable Population Liaisons (VPLs) role is voluntary, as part of an employee's routine claim processing functions, and is not in every field office.

Initially, while our offices were closed to walk-in service, local Public Affairs Specialists (PASs) provided partner community-based organizations (CBOs) with contact information for their local servicing VPLs to help people apply for SSI benefits.

Currently, local practices for raising awareness of VPLs vary. The local PASs continue to engage CBOs to provide resources like our Outreach Toolkit<sup>11</sup> and provide VPL contact information. Additionally, our Regional Communications Directors<sup>12</sup> serve as local ombudspersons to help facilitate any further support needs.

*Question.* How do local field office management or regional offices share VPL's contact information? Is it done proactively or only when individuals or organizations reach out to SSA's regional offices?

*Answer.* As noted in our response above, local practices may vary.

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#### QUESTIONS SUBMITTED BY HON. THOMAS R. CARPER

*Question.* Stolen Social Security numbers have become the linchpin of identity fraud. Perpetrators misuse Social Security numbers to apply for credit cards, and fraudulently claim or redirect government benefits. The misuse of Social Security numbers is an issue that affects Americans of all ages. Older Americans, newborns, and children are especially vulnerable as these groups are less likely to monitor their credit or use their Social Security number, therefore, less likely to notice fraud.

How will the Social Security Administration leverage the President's budget request to improve agency coordination and customer service, specifically for victims of Social Security number misuse?

*Answer.* The FY 2025 President's budget would allow us to restore staffing levels in field offices. Our frontline staff help people facing misuse to correct SSA program-related issues and provide information on steps they can take with credit bureaus, law enforcement, and other government agencies. Additionally, our employees refer allegations of misuse to our OIG for investigation.

*Question.* The Social Security Administration is facing a 27-year staffing shortage. This shortage is only exasperated by Federal hiring freezes since October of last year, due to the uncertainty of funding for Fiscal Year 2024.

How will the Social Security Administration work to not only hire new staff, but also retain existing staff and ensure they have the tools they need to thrive?

<sup>11</sup>[https://www.ssa.gov/thirdparty/materials/pdfs/SSA\\_Faith-Based\\_and\\_Community\\_Group\\_Outreach\\_Toolkit.pdf](https://www.ssa.gov/thirdparty/materials/pdfs/SSA_Faith-Based_and_Community_Group_Outreach_Toolkit.pdf).

<sup>12</sup><https://www.ssa.gov/agency/rcds.html>.

Answer. Starting Day One, I visited SSA offices across the country and encouraged front-line employees to identify ideas for improving the customer and employee experience. We received over 3,500 employee ideas. So far, we implemented dozens of quick wins to reduce time-consuming, administrative burdens on the public and make employee workloads more manageable. These changes are available on our recent agency accomplishments webpage. Based on all the input, we also developed our FY 2024 SSA Action Plan, which boils down the most impactful things we can accomplish into 27 strategic initiatives. Action on each of the initiatives has already begun; many will take more than just the year to fully accomplish. However, these efforts will also require important investments, including enactment of the FY 2025 President's budget.

With our FY 2024 enacted appropriation, we are providing limited targeted hiring and overtime to frontline operations. Through our HR SecurityStat—which meets every 2 weeks—we are working to improve employee training to better equip new hires, and strengthen retention. For example, we recently aligned our Domestic Employees Teleworking Overseas policy with section 6202 of the FY 2022 National Defense Authorization Act to better support military spouse employees.

Additionally, on this year's Federal Employee Viewpoint Survey, we increased our participation or response rate by over 50 percent since last year—the highest year-over-year increase of any agency in the Federal Government. So our staff are most definitely reengaging. However, we know that morale still has a long way to go in light of the heavy weight of shrinking staff and growing workloads.

I am proud of these accomplishments and the hard work SSA is doing. But these improvements will only go so far—our budget directly drives our staffing levels. We need a budget every year that allows us to continue hiring and fund needed service improvements.

*Question.* Despite the Social Security Administration's best efforts, even the slightest error in calculating benefit payments can be costly to the taxpayer. In 2022, the agency issued an estimated \$13.6 billion in improper payments. After reporting an overpayment to the Social Security Administration, several of my constituents have not received a monthly benefit while the agency reviews the overpayment issue. One constituent in particular, did not receive a single benefit payment for 3 months after reporting an overpayment.

How will the agency ensure that no American who reports an under or over payment is penalized and left without any benefits during a review period?

Answer. On March 25, 2024, we changed our procedure for recovering overpayments from Social Security benefits. We now collect 10 percent (but not less than \$10 per month) of the total monthly Social Security benefit, rather than 100 percent, which was our prior procedure. There are limited exceptions, such as when an overpayment resulted from fraud.

We also recently changed our policy so that we can approve a beneficiary's request to repay their overpayment at a lower rate over a longer period of time (up to 60 months) more efficiently. To qualify, a Social Security beneficiary needs only to provide a verbal summary of their income, resources, and expenses. Supplemental Security Income recipients do not need to provide this summary.

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#### QUESTIONS SUBMITTED BY HON. SHERROD BROWN

*Question.* I appreciate the actions you outlined in your testimony to reduce overpayments. These are necessary first steps. Does SSA have a plan to implement a statute of limitations on collecting overpayments?

Answer. We are exploring options generally to improve our administrative processes to reduce burden on our customers.

*Question.* You have named the current SSI asset limit as an administrative burden for SSA. Please describe this in greater detail, and estimate what you think would happen to this administrative burden if Congress enacted legislation that moved the asset limit to \$10,000 single/\$20,000 married, indexed moving forward. Would such a change result in savings for SSA?

Answer. As you saw in the budget, the President is committed to protecting and strengthening Social Security, including supporting efforts to improve Social Security benefits, as well as Supplemental Security Income benefits, for seniors and peo-

ple with disabilities, especially for those who face the greatest challenges making ends meet.

We would be glad to provide your office with technical assistance on the potential impacts of the change you reference, including any administrative savings.

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QUESTIONS SUBMITTED BY HON. ROBERT P. CASEY, JR.

*Question.* During the hearing, you discussed wait times for determination of eligibility for SSI or SSDI benefits. In the case of people who have developed a disease or condition that threatens their life, quick determination of eligibility is critical. According to a GAO report from 2020, over the period from 2008 to 2019 almost 110,000 people died waiting for determination of eligibility for benefits.

In the cases when a person has developed a condition, such as amyotrophic lateral sclerosis (ALS) or Huntington's disease, what does SSA do to expediate determination of eligibility and get benefits to recipients as soon as possible?

*Answer.* Our two fast-track processes, Quick Disability Determinations (QDD) and Compassionate Allowances (CAL), identify claimants with the most severe impairments, like those you reference, so we can expedite decisions and reduce the wait time. For FY 2024, our average processing time for QDD cases was about 25 days and about 38 days for CAL cases. Regarding ALS, we also note that the Disability Insurance Benefit 5-month waiting period no longer applies to claimants with ALS who have a Notice of Award dated on or after July 23, 2020.

*Question.* The Compassionate Allowances listing is a valuable tool for addressing applicants who have a fast-moving condition or disease such as bladder cancer. SSA also works to identify new diseases or conditions that meet the Compassionate Allowance criteria, such as trisomy 9 or genetic deletion conditions such as 1p36 deletion syndrome.

If an applicant for SSDI or SSI has a Compassionate Allowance condition, but their application is not receiving quick attention, what recourse do they have to expediate a decision regarding their eligibility?

*Answer.* Claims involving Compassionate Allowance conditions are generally awarded benefits in about 38 days.

For claims that extend beyond this timeframe, the local servicing field office can intervene, and if needed, Regional Communications Directors can facilitate additional support.

*Question.* The ABLE Act, which I sponsored, passed in 2014 and makes it possible for SSI recipients to save up to \$100,000 for disability expenses and still maintain SSI benefits. However, the number of people with ABLE accounts is only approximately 165,000, despite the ABLE Act allowing every person who is an SSI recipient and became disabled before the age of 26 is eligible to open an ABLE account.

What can you and the leadership at SSA do to ensure that local Social Security offices know about the benefits of ABLE accounts for SSI recipients, and that accurate information about the effect on SSI benefits is being accurately conveyed to beneficiaries, especially families of child SSI recipients?

*Answer.* ABLE accounts are a vital program that we continue to support by publishing and updating materials for our employees and the public, like a recent ABLE Programs Blog Post.<sup>13</sup> We also make sure front-line staff know about ABLE accounts and share ABLE information with SSI recipients. I am also working with my Communications Team on expanding outreach efforts in this area.

*Question.* I introduced the Making ABLE a Tool to Combat Hardship, or the ABLE MATCH Act, which would provide a dollar-for-dollar match to anyone who earns less than 200 percent of the Federal poverty limit.

For those who are SSI recipients, how would this type of match incentivize savings and help them to become economically self-sufficient?

*Answer.* We would be glad to provide your office with technical assistance.

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<sup>13</sup> [https://blog.ssa.gov/able-programs-prepare-for-expanded-eligibility/?utm\\_medium=email&utm\\_source=govdelivery](https://blog.ssa.gov/able-programs-prepare-for-expanded-eligibility/?utm_medium=email&utm_source=govdelivery).

## QUESTIONS SUBMITTED BY HON. MIKE CRAPO

*Question.* The Social Security Administration's long wait times for disability decisions, particularly those for Supplemental Security Income, not only affect applicants but also affect health-care providers who serve a large number of low-income patients. To help provide more clarity on SSA's wait times for disability decisions, please provide the latest national-level and Idaho-specific data available for the:

- Average processing time for initial disability claims for: all claims; title II only; title XVI only; and concurrent claims.
- Average processing time for disability reconsiderations for: all claims; title II only; title XVI only; and concurrent claims.
- Annual average processing time for hearings decisions for: all claims; title II only; title XVI only; and concurrent claims.

*Answer.* We do not have the average processing times for the three levels of disability decisions by type of application. However, below we provided the average processing times through FY 2024 Q2—both national and those for Idaho.

All Disability Claims	Average Processing Time	
	Nationally (days)	Idaho (days)
<b>Initial Claims</b>	229	163
<b>Reconsiderations</b>	224	123
<b>ALJ Hearings</b>	361	421 *

\*The Boise hearing office (which hears all Idaho cases) is a satellite office of the Billings, MT hearing office. The average processing time is for the full Billings hearing office.

*Question.* Please also describe the specific actions the SSA is planning to implement to reduce processing times for SSI applications.

*Answer.* We are taking actions to streamline SSI processing by implementing program simplifications with process and technology improvements. For example, we recently:

- Published three regulations to streamline what we count as income for calculating SSI eligibility and payments. First, SSA no longer counts food assistance when it calculates SSI payment amounts or eligibility.<sup>14</sup> Second, a simpler rental subsidy calculation is now SSA's nationwide policy, instead of applying in only seven States.<sup>15</sup> Third, SSA revised the definition of a public assistance household<sup>16</sup> to include the Supplemental Nutrition Assistance Program and households where not all members receive public assistance. These rules, which became effective September 30, 2024, reduce the administrative burden for applicants, recipients, and SSA.
- Launched first-party eSignature and document upload to local offices and Workload Support Units nationwide (about 28,000 employees). So far, we approved the removal of wet signatures on 13 forms, accounting for over 1 million submissions per year. We are reviewing other forms that account for over 3 million submissions per year.
- Implemented a “no to all” button (similar to “select all”) within the claims-taking process on SSI applications. This new feature, based on employee feedback, saves employees and your constituents time during the application process.

Additional information on our initiatives to improve access to SSI is available on page 11 of our SSA Equity Action Plan 2023 Update.

*Question.* On March 1, 2024, the Social Security Administration signed a memorandum of understanding (MOU) that expands certain employees' ability to participate in “episodic” telework on top of their existing telework arrangement. According to the MOU, it is anticipated that instances of episodic telework will be “infrequent” and “limited in duration.”

<sup>14</sup> <https://www.ssa.gov/news/press/releases/2024/#3-2024-4>.

<sup>15</sup> <https://www.ssa.gov/news/press/releases/2024/#4-2024-1>.

<sup>16</sup> <https://www.ssa.gov/news/press/releases/2024/#5-2024-3>.

Are there any specific limitations on the total amount of episodic telework a front-line employee can request? If so, what are these limits?

Answer. Telework is subject to supervisory approval based on business needs, and episodic telework is, by definition, infrequent or due to some sort of extenuating circumstance.

*Question.* The President's budget outlines principles for protecting and strengthening Social Security but does not include a legislative proposal for improving Social Security's solvency.

Under the President's budget, Social Security payroll taxes would actually decline by \$17 billion over 10 years. What accounts for this decline in Social Security payroll taxes?

Answer. Some of the budget's revenue proposals have effects on wage and salary income, which result in small changes to payroll taxes. However, these effects are minimal relative to total Social Security payroll tax collections, which are \$15.7 trillion over the 10-year budget window.

*Question.* The President's budget notes that the Social Security Administration is interested in renewal of section 234 demonstration project authority, which expired on December 31, 2022.

Are there specific demonstration projects for which the agency is seeking this authority? If so, please provide the purpose, expected duration, and evaluation metrics for each potential demonstration project.

Answer. As noted, we are interested in working with Congress to renew section 234 authority. What we would test would depend on the parameters of the authority, which have differed across previous renewals.

We would be glad to work with your office to discuss potential projects, and provide you with further information regarding interventions, data collection and evaluation metrics, duration of the projects, contracts, and cost estimates.

*Question.* The materials accompanying the President's budget project that the Social Security Administration's information technology (IT) modernization efforts yielded nearly \$430 million in cost avoidance and efficiencies from fiscal year 2018 to 2023.

What is the total IT investment that went into achieving these cost efficiencies?

Answer. See table.

**Table 3.25—Modernization Cost Avoidance and Efficiencies**  
(in millions)

Domain	FY 2018–FY 2022 Benefits	FY 2023 Benefits (projected)	Cumulative Benefits (projected)	* FY 2018–FY 2023 Actual Costs
Benefits	\$20.70	\$0.05	\$21.20	\$183.51
Communications	\$17.20	\$0.00	\$17.20	\$41.89
Disability	\$43.30	\$26.90	\$70.20	\$279.42
Earnings	\$15.20	\$0.00	\$15.20	\$75.42
Enumeration	\$212.10	\$67.00	\$279.10	\$58.46
Infrastructure	\$0.00	\$0.65	\$0.65	\$0.00
Service Delivery	\$24.70	\$0.02	\$24.70	\$122.00
<b>Totals</b>	<b>\$333.20</b>	<b>\$95.00</b>	<b>\$428.20</b>	<b>\$760.70</b>

\* Represents the actual costs for the IT investments that achieved the FYs 2018–2022 actual and FY 2023 projected cost efficiencies.

Note: The first three columns in this table are from SSA's FY 2025 Congressional Justification, <https://www.ssa.gov/budget/assets/materials/2025/FY25-JEAC.pdf>.

*Question.* What are the work year savings associated with these cost efficiencies?

Answer. We estimate approximately 3,400 work year savings are associated with these cost efficiencies, which enabled us to redirect frontline staff to other workloads.

*Question.* Multiple President's budgets have discussed the Social Security Administration's plans to replace its three separate legacy phone systems for the national

800 number, field offices, and headquarters with a unified telephone system. According to SSA, creating a unified telephone system through its Next Generation Telephony Project (NGTP) would improve the quality and efficiency of its telephone service.

Now that SSA has transitioned the national 800 number to NGTP, does SSA still plan to transition its field offices and headquarters to this platform?

If yes, what is the timeline for this transition?

If not, why not?

Answer. We are no longer using the Next Generation Telephony Project (NGTP) platform for our 800 number, and we do not plan to transition any other phone systems to that platform because it fell far short of our expectations.

Instead, on August 22, 2024, we transitioned our 800 Number to a better-performing phone system with certain advantages like call-back assist. We have begun to turn the tide in the right direction. In October, we answered calls in an average of 12.8 minutes—still nothing to write home about, but significantly improved from 42 minutes last November. We estimate this move will save the agency up to \$25 million in operating costs over 5 years.

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#### QUESTIONS SUBMITTED BY HON. TIM SCOTT

*Question.* A priority issue for me and my constituents is the Social Security Administration's work to prevent synthetic identity fraud. This fraud, perpetrated by criminals who typically steal a child's Social Security number, create a synthetic identity, and rack up thousands in debt, often goes undetected for years. SSA holds the key to preventing this fraud. Legislation I previously authored created the SSA's electronic consent-based SSN verification (eCBSV) system to allow financial institutions and their service providers the ability to get a real-time response as to whether the name, SSN, and date of birth submitted to the financial institution matches SSA's records. If it is not a match, that's an indication that there may be synthetic identity fraud at play. SSA built and operationalized this system per my legislation, and it is also a requirement that financial institutions pay for the system. What I have heard and seen is that the cost of the build and operations of the system are astronomical, and in trying to recover the costs, SSA has increased the fees for the use of the system. These increases, leading to some institutions paying 22 times as much as they did originally, for the same service, are causing financial institutions to use the system less. The only people who benefit from this result are the criminals perpetrating synthetic identity fraud.

What is SSA doing under your leadership to ensure that the pricing of the system does not deter use of it? What is the current status of the eCBSV?

Answer. We understand that cost is one of several factors that may have contributed to less-than-expected participation in the service. As of October 2024, we have 20 direct customers and 2,916 indirect customers<sup>17</sup> using the eCBSV service. We processed more than 54 million transactions in FY 2024 and over 225 million transactions since initial rollout in FY 2020.

The Economic Growth, Regulatory Relief, and Consumer Protection Act requires that we fully offset the cost to administer eCBSV. We remain committed to reviewing costs annually and are monitoring our progress towards collecting enough eCBSV fees to breakeven on the system's build and ongoing costs. As we get closer to breaking even during FY 2027, we will evaluate lowering eCBSV fees. Once we have recouped our costs, the fee structure will be lower as it will only need to cover the ongoing costs of eCBSV.

*Question.* The recent pricing structure for the use of the eCBSV released in the Federal Register will continue to hamstring the program by effectively funneling all eCBSV requests through one mega provider. The top tier of the pricing structure would allow someone to make essentially unlimited requests when just 55 million requests were made last year. This would allow whichever firm purchases that tier to outprice their competitor, creating, in effect, a government-sanctioned monopoly. This was not congressional intent. With only one provider setting pricing for the entire market and forcing other eCBSV providers to exit, they will be able to set their

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<sup>17</sup> Direct customers pay SSA a subscription to connect directly to SSA's eCBSV. Indirect customers go through a service provider to use SSA's eCBSV.



pricing to whatever level they want and likely cool demand, in turn raising the number of new accounts that have not been vetted for synthetic identity fraud.

Will SSA commit to restructuring their eCBSV prices in a way that encourages competition and expands the program's use?

Answer. Yes, as noted in our response to the question above, we remain committed to reviewing costs annually and are monitoring our progress towards collecting enough eCBSV fees to breakeven on the system's build and ongoing costs. Once we have recouped our costs, the fee structure will be lower as it will only need to cover the ongoing costs of eCBSV.

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#### QUESTIONS SUBMITTED BY HON. BILL CASSIDY

*Question.* SSA has historically been quite risk averse in its approach to technology adoption, and this has sometimes served the agency well. The agency has suffered fewer breaches than other similarly sized agencies, and I appreciate that. Also, the complexity and scale of the agency's legacy systems, combined with burdensome Federal contracting and hiring practices, make it difficult for SSA to modernize its technology. However, I am interested in learning more about how the agency is taking advantage of recent advancements in AI and other advancements to improve its service while achieving cost savings. Federal Government-wide, we need to learn from the private sector and find ways to do more with limited resources, and it seems AI could really help with this.

Are there specific tasks where SSA plans to integrate AI? For example, is SSA going to use AI to identify cases of Social Security Disability Insurance (SSDI) fraud or overpayments?

Answer. We recognize the benefits of leveraging AI technologies, like virtual assistants, to enhance the customer and employee experience. We use AI to support various processes, while remaining committed to preserving the rights and privacy of the public and ensuring compliance with applicable Federal legal authorities.

For example, we are increasing use of our Intelligent Medical Language Analysis Generation (IMAGEN) tool, which helps employees complete disability determinations by identifying and organizing medical evidence. Since I started, the share of DDS cases that use IMAGEN has nearly doubled from 28 percent to over 50 percent. We are now training all new employees to use IMAGEN. We also expanded the types of cases for which DDS employees can use IMAGEN, and we expanded IMAGEN for use at the hearing level.

SSA also uses AI to support program integrity, including overpayment trends. For example, we use a scoring model to profile Supplemental Security Income cases for technician review based on the likelihood and magnitude of an overpayment. We are also considering ways to leverage AI to help us detect potential fraud in our programs.

Additional information on our outreach with industry experts about how AI may affect the landscape of Social Security is available on our National Disability Forum webpage.<sup>18</sup>

*Question.* The SSA operates with many outdated legacy systems that were developed decades ago and have become increasingly difficult and expensive to maintain and integrate with modern technology. These systems often lack interoperability, scalability, and security features required for efficient and effective operations in today's digital age.

What is the SSA's current strategy for modernizing its legacy systems, and how does it prioritize which systems to upgrade first?

Answer. Our modernization strategy focuses on providing more digital services to the public, improving the employee experience, and expanding access to digital data at SSA. Our IT Investment Review Board determines the budget allocations for our IT investments based on current agency priorities and goals.

Prioritizing our investments to modernize our legacy systems is increasingly difficult as costs continue to rise, and we do not receive our full budget request. Infor-

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<sup>18</sup> [https://www.ssa.gov/ndf/ndf\\_outreach.htm?tl=0](https://www.ssa.gov/ndf/ndf_outreach.htm?tl=0).

mation about our current accomplishments and major initiatives can be found on pages 33–34 of the agency’s FY 2025 Budget Overview.<sup>19</sup>

*Question.* Can you provide an overview of the challenges encountered in modernizing these legacy IT systems, and what specific steps are being taken to overcome these obstacles?

*Answer.* Our biggest challenge is the size and complexity of our systems. Continuing daily operations while we update our systems is a balancing act, and integrating new systems to work with our outdated legacy systems requires specialized knowledge and resources. We continue to experience attrition and loss of staff with this specialized knowledge.

Completing our IT modernization work requires sustained investment to decrease dependency on legacy software before institutional staff knowledge is gone. While we received an IT budget of \$2.1 billion in 2024, we had to use almost 90 percent (\$1.9 billion) to operate and maintain current services. Only 10% (\$212 million) was left for us to modernize IT and expand our digital services. For example, with that remaining IT funding in FY 2024, we expanded Upload Document capabilities so the public can upload and sign (when a signature is required) certain documents electronically. Customer experience surveys indicate 86.8 percent customer satisfaction and 87.7 percent trust ratings with this service.

We are doing what we can to consolidate and modernize our systems to help us adapt to future needs and automated process as outlined in our FY 2025 Budget Overview referenced above. However, we need help from Congress to ensure we have the necessary funding and staffing to provide the type of service Americans deserve.

*Question.* How is SSA currently using AI in program administration tasks like identifying overpayment trends, and the prevention and detection of fraud?

*Answer.* As noted in our response above, we use AI to support program integrity, which includes identifying overpayment trends. We use AI in the form of machine learning models to screen for anomalies and profile cases for employees to further review and then make determinations. We are also considering ways to leverage AI to help detect fraud in other areas of our programs.

*Question.* With regard to software projects more generally, they seem to be most successful when a focus is kept on user needs. A major problem with past projects in a variety of agencies has been a tendency to collect all the requirements up front, and then fail to adapt to change. This results in systems that fail to center user needs.

As you modernize legacy systems, can you please provide details as to who is responsible for developing new systems, and how are they being held accountable to ensure that the resulting product effectively addresses the requisite needs? Are software development best practices being following, like focusing on users, regular deliverables, and constant communication between teams?

*Answer.* Our Chief Information Officer (CIO) is responsible for all software development and is accountable to me. The CIO is an active participant at SecurityStat, a performance management tool I stood up to address our customer service crisis. I require the attendance of all deputy commissioners, including the CIO, to collaborate on solutions to our key challenges and to report on their progress in the next meeting.

When modernizing our systems or developing new software, we incorporate a quality assurance process. For example, we conduct user acceptance testing to obtain feedback from users, which helps us to determine whether a product is functioning as intended. This best practice also helps us to identify any potential improvements for future releases.

*Question.* Many SSA systems are built on old mainframes that have not been upgraded in decades. This increases risk for issues such as insider threat and leads to ineffective citizen services. What is SSA’s plan to modernize old systems, implement enhanced cybersecurity features, and increase payment integrity by decreasing fraud?

*Answer.* Our technology modernization investments focus on simple, seamless, and secure service, while maintaining rigorous stewardship and oversight of our

<sup>19</sup> <https://www.ssa.gov/budget/assets/materials/2025/2025BO.pdf>.

programs. For detailed information about how we are modernizing our information technology, enhancing cybersecurity, and increasing payment integrity, please refer to our accomplishments and major initiatives on pages 33–34 of our FY 2025 Budget Overview.

*Question.* Thank you for responding to the letter that Senator Hassan and I sent back in November, urging the agency to reduce overpayments and prevent undue harm to the most vulnerable Social Security recipients when recovering overpayments. In that letter, you noted a series of administrative improvements that SSA has done to help reduce the incidence of these overpayment issues. However, my staff in Louisiana have sent me a report regarding a constituent of mine from down in Denham Springs that I wanted to run by you. Back in 2021, she received a letter from SSA noting that she has received over \$67,000 in overpayments covering a period of over 10 years! SSA noted that it was a mistake made by them in their retirement calculations. Due to her age and disability status, and due to the fact that she faced severe losses from the 2016 floods in my State, she is in no position to pay back this overpayment. This issue has caused her great mental stress, and she is now seeking counseling for it.

Can you please share what steps you are taking to address SSA's overpayments to beneficiaries?

*Answer.* We have been taking a hard look at overpayments and have taken meaningful steps to improve the process through the following initiatives:

1. Lower Withholding Rate—In March, we ceased the heavy-handed practice of intercepting 100 percent of an overpaid beneficiary's monthly Social Security benefit by default if they fail to respond to our repayment notices. We now use a much more reasonable default withholding rate of 10 percent of total monthly benefits (but not less than \$10 per month)—similar to the current rate in the SSI program.
2. Less Burdensome Repayment Process—We now approve repayment plans of up to 60 months without requesting proof of income and assets for the vast majority of beneficiaries who request to work out a repayment plan. This change extended this easier repayment option by an additional 2 years (from 36 to 60 months).
3. Payroll Information Exchange (PIE)—In February, we published formal notice of our plans to access and use information from payroll data providers. This long-awaited system will reduce wage-related overpayments by ensuring we receive timely and accurate wage data. We plan to use PIE data to automatically adjust SSI benefits before they are paid—preventing overpayments from occurring—and to administer the SSDI program more efficiently. The agency is carefully reviewing and analyzing the public comments we received.
4. Waiver Process Simplification—We are making it much easier for overpaid beneficiaries to request a waiver of repayment, when they believe they are without any fault and cannot repay. To do this, we are streamlining forms and simplifying processes, as well as shifting the burden of proof where applicable away from the beneficiary in determining whether there is any evidence that the beneficiary was at fault in causing the overpayment.
5. Notice Improvements—We have taken actions to reduce the confusion our customers frequently have in understanding the complexities of our notices. As we develop solutions, we will focus on how we can clarify and simplify our overpayment notices.

*Question.* Thank you again for agreeing to work with us at your nomination on helping get my bipartisan claiming nomenclature bill through Congress. The same bipartisan group of Senators (Collins, Coons, Kaine) also introduced a bill to try to bring back the Social Security Statement. While millions of Americans have created My SSA online accounts, very few log in more than once, and I am concerned that the exact groups that either have not created an account or have not logged in regularly are the same ones that need the most help to better understand their future retirement benefits.

Can I ask you to work my staff to help revise our current bill into one that SSA could support?

*Answer.* We would be happy to provide your staff with technical assistance on your current bill.

## QUESTIONS SUBMITTED BY HON. STEVE DAINES

*Question.* Thousands of Montanans rely on Social Security payments, and while I commend your efforts to improve the national 800 number, we still hear from folks having trouble getting assistance from the Social Security Administration and facing long wait times to speak to a representative.

What steps are you taking to decrease wait times and ensure callers can connect with an agent?

*Answer.* Reducing wait times is one of my top priorities, and we address it every 2 weeks in our 800 number SecurityStat session. We also have a new executive with extensive experience managing high-volume call centers who reports directly to me. I've tasked her with conducting a full review of our 800 number services to make recommendations to improve the employee and customer experience.

On August 22, 2024, we transitioned our 800 number to a better-performing phone system with certain advantages like call-back assist. We have begun to turn the tide in the right direction. In October, we answered calls in an average of 12.8 minutes—still nothing to write home about, but significantly improved from 42 minutes last November. We estimate this move will save the agency up to \$25 million in operating costs over 5 years.

We are also looking at expanding automated features like Interactive Voice Response. We are considering increasing self-service options for those who prefer them, reducing wait times for individuals who need to speak with an agent. Additionally, we are addressing the root causes of why people are being driven to our 800 number by simplifying complex and confusing notices and completing customers' needs on the first contact, and through redesigned webpages.

We are doing everything we can with the current funding environment, but meaningful improvements simply require technology and funding for enough trained staff. With our FY 2024 enacted appropriation, we are providing limited targeted hiring and overtime to our front-line operations. The FY 2025 President's budget would allow us to devote an additional \$79 million to our teleservice centers, who answer our 800 number calls, to increase staffing and reduce wait times by approximately 20 minutes.

*Question.* You recently signed a memorandum of understanding allowing episodic telework.

Can you provide information on what constitutes "episodic" and whether there are required minimum hours employees must work in person?

*Answer.* The memorandum of understanding defines "episodic" telework as work that is infrequent, based upon the unique workload needs of the agency or due to the personal circumstances of the requesting employee, and limited in duration. For example, an employee might request episodic telework to work onsite for the second half of the day and use personal leave in the first half to fix a flat tire. As noted in our response to the question below, employees at our local offices work in the office at least 3 days a week. However, when life happens, episodic telework is a useful workplace flexibility, which we use to support recruitment and retention, while also being mindful of fulfilling our mission requirements.

*Question.* What are the in-person requirements for employees working in the seven field offices in Montana to ensure constituents are able to get appointments all 5 days of the work week?

*Answer.* Employees at our local Social Security offices work in the office at least 3 days a week. Schedules alternate within the office so that employees are present all 5 days of the week to serve the public. Whether they are in the office or teleworking, employees take calls or appointments over the phone and process applications for benefits.

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 QUESTIONS SUBMITTED BY HON. TODD YOUNG

*Question.* Given the important role the SSA plays, it is imperative the agency fosters public trust by ensuring proper protocols are in place to protect beneficiaries. Notably, in September of last year, the Social Security Office of the Inspector General (OIG) issued a report titled "Digital Identity in My Social Security" that found

the Administration's identity verification portal does not comply with current Federal requirements related to identity assurance.<sup>20</sup>

Do you agree with OIG's findings in this report, why or why not?

Answer. Yes, we agreed with OIG's recommendations in this report. We remain committed to aligning our digital identity program with Federal requirements while ensuring that our electronic services are accessible to all segments of the public.

*Question.* What are you and your team doing to ensure American beneficiaries are not put at further risk of fraud due to noncompliant identity verification protocols?

Answer. We are continuing to make improvements that align our digital identity program with emerging guidelines, including emerging National Institute of Standards and Technology digital identity guidelines, and best practices. For example, we started a multiphase effort to transition all our customers to a federated credential service provider (*Login.gov* or *ID.me*) to meet current standards for security and credentialing. In addition to providing a greater level of security, this transition will streamline the customer experience allowing access online services across transaction types.

*Question.* During your nominations process, you committed to providing this committee with an assessment of the performance of credential service providers at the SSA.

Do you commit to sharing that information with both the majority and minority staff of this committee by May 31, 2024, "yes" or "no"?

Please note that by this date, you will have been confirmed to your position for over 5 months.

Answer. We recently completed this assessment and shared it with the committee.

*Question.* When you came before this committee in advance of your confirmation, I asked you both during the hearing and in the proceeding questions for the record to discuss your views on telework. You emphasized that, if confirmed, you would "examine in detail what the problems are" with the availability of in-person appointments and "develop a comprehensive plan to improve customer service, including the ability to schedule face-to-face appointments in a timely manner."

In your time as Commissioner thus far, what have you discovered regarding the availability of in-person appointments to beneficiaries needing assistance?

Answer. Many times customers are waiting too long for appointments, and we meet to tackle this issue every 2 weeks during our Operations SecurityStat. In February 2024, we shared best practices with all field office managers to ensure appointment calendar availability. We are also looking at additional opportunities for workload sharing to improve our appointment time frames.

*Question.* How can the SSA continue to improve its in-person service to beneficiaries in Indiana and across the country?

Answer. Please see our response to the question above on the actions we are taking to improve service for your constituents and members of the public nationwide.

We also need sufficient and sustained funding to optimize service delivery. With our FY 2024 enacted appropriation, we are providing limited targeted hiring and overtime to our frontline operations. We encourage you to support the President's budget request for FY 2025.

*Question.* What percentage of SSA employees telework full time? What percentage work a hybrid schedule? What percentage work in-person full time?

Answer. As of April 19, 2024, approximately:

- Ninety percent of SSA employees are recurring teleworkers, teleworking one or more days a week based on an agreement with management. For instance, field office employees and most headquarters employees report onsite *at least* 3 days a week.
- One percent of SSA employees are working remotely.
- Nine percent of SSA employees are working in-person full time.

<sup>20</sup> <https://oig.ssa.gov/assets/uploads/142307.pdf>.

*Question.* Over the past year, I have partnered with several of my colleagues on both sides of the aisle to gain a better understanding of the potential opportunities, and areas of concern, for AI implementation.

As you evaluate budgetary needs for the SSA for Fiscal Year 2025, what role do you see artificial intelligence playing in improving customer service at the SSA?

*Answer.* We recognize the benefits of leveraging AI technologies, like virtual assistants, to enhance the customer and employee experience. We use AI to support various processes, while remaining committed to preserving the rights and privacy of the public.

For example, we are increasing use of our Intelligent Medical Language Analysis Generation (IMAGEN) tool, which helps employees complete disability determinations by identifying and organizing medical evidence. Since I started, the share of DDS cases that use IMAGEN has nearly doubled from 28 percent to over 50 percent. We are now training all new employees to use IMAGEN. We also expanded the types of cases for which DDS employees can use IMAGEN, and we expanded IMAGEN for use at the hearing level.

SSA also uses AI to support program integrity such as identifying overpayment trends. For example, we use a scoring model to profile Supplemental Security Income cases for technician review of nonmedical eligibility based on the likelihood and magnitude of an overpayment. We are also considering ways to leverage AI to help us detect potential fraud in our programs.

Additional information on our outreach with industry experts about how AI may affect the landscape of Social Security is available on our National Disability Forum webpage.

*Question.* You have stated the SSA has a goal of reaching a 12-minute wait time for the national 800 call line for Fiscal Year 2025, a 20-minute decrease from Fiscal Year 2024 estimated call wait times.

What steps do you intend to take to accomplish that goal?

*Answer.* Reducing telephone wait times is one of my top priorities, and we address it every 2 weeks in our 800 number SecurityStat<sup>21</sup> session. We also have a new executive with extensive experience managing high-volume call centers who reports directly to me. I've tasked her with conducting a full review of our 800 number services to make recommendations to improve the employee and customer experience.

Through the agile SecurityStat process, we sprang into action and identified quick wins to reduce unnecessary calls on the front end, and improve first call resolution on the back end. Among those quick wins on the 800 number, we:

- Secured approval from the Internal Revenue Service (IRS) to accept phone attestations—instead of having to mail a paper copy for wet signature—from beneficiaries wanting to change their voluntary tax withholding from their benefits. This lets us process and resolve the action on the first phone call.
- Enhanced our online system to automatically provide more detailed claim status updates to the people representing disability applicants, eliminating their need to call us for frequent status updates.
- Transitioned to a better-performing phone system and rolled out call-back assist, so customers can receive a call back when an agent is available instead of waiting on hold. These data-driven decisions have yielded immediate benefits for both callers and employees, including reduced wait times and more self-service options.
- Revamped the training for new hires at our teleservice centers to improve employee engagement and reduce attrition of new hires.

As a result of these quick actions and many more, we have begun to turn the tide in the right direction. In October we answered calls in an average of 12.8 minutes—still nothing to write home about, but significantly improved from 42 minutes last November. Having transitioned on August 22nd to a more modern and higher-performing phone system, our FY 2025 goal is to keep average wait times on our 800 number under 12 minutes on average for the entire fiscal year.

We are doing everything we can within the current funding environment. For example, we are looking at expanding automated features like Interactive Voice Re-

<sup>21</sup> <https://www.ssa.gov/securitystat/800-number-performance>.

sponse. We are also considering increasing self-service options for those who prefer them, reducing wait times for individuals who need to speak with an agent. Additionally, we are addressing the root causes of why people are being driven to call our 800 number by simplifying complex and confusing notices and completing customers' needs on the first contact.

However, meaningful improvements simply require technology and funding for enough trained staff. With our FY 2024 enacted appropriation, we are providing limited targeted hiring and overtime to our frontline operations. The FY 2025 President's budget would allow us to devote an additional \$79 million to our teleservice centers to increase staffing and reduce wait times by approximately 20 minutes.

*Question.* While the metric of phone call wait times is helpful in assessing the level of customer service, a more complete metric is the number of individuals that are able to actually receive the assistance they need via the phone.

Of the beneficiaries that call the national 800 number, what is the success rate of individuals that are actually able to get in touch with a live representative?

*Answer.* In September 2024, our answer rate is approximately 64 percent. Please refer to our SecurityStat webpage, which tracks our 800 number performance including a chart on the percentage of callers that reach a representative. Additionally, based on survey data as of September 2024, customers reported 87 percent satisfaction with their experience once they reached an agent.

*Question.* What is the success rate of beneficiaries that call the national 800 number and are able to have their issue resolved?

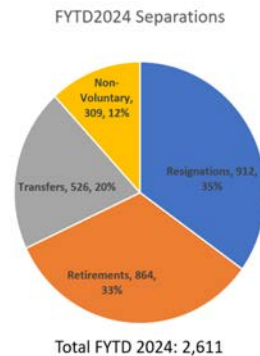
*Answer.* We are committed to making sure customers can resolve their issues at the first point of contact, which as of September 2024, 84 percent of surveyed 800 number customers reported we achieved.

*Question.* SSA employees in my State have shared with me concerns about the SSA's attrition rates. They have witnessed challenges with retaining employees who are frustrated by a lack of training, poor IT support, and other hindrances.

Please provide attrition rates for current SSA employees, not including retirements. Include clear explanations of the data and timeframes used in your response.

*Answer.* The pie chart below shows SSA's separation data by type and category as of April 25, 2024. Nonretirement separation continues to outpace retirements. Additionally, resignations are the leading type of separations. Additional information about our separation trends is available in our Human Capital Operating Plan: FY 2023–2026.<sup>22</sup>

**Resignation:** A separation action initiated by the employee to leave Federal civil service.  
**Retirement:** A separation action initiated by the employee to retire from Federal Government civilian employment under any Federal Government-administered retirement system.  
**Transfer:** A change of an employee, without a break in service of one full workday, from a position in one agency to a position in another agency that can be filled under the same appointing authority.  
**Non-Voluntary:** Includes agency-initiated separations (e.g., terminations and removals) and death.



*Question.* What do you believe leads to attrition at SSA?

*Answer.* Staffing levels that are too low are the primary driver of attrition because they result in unsustainable workloads. According to exit surveys, employees report feeling exhausted and overworked. Employees leaving the agency have reported low morale, insufficient training and development, and high workloads as the

<sup>22</sup> <https://www.ssa.gov/open/materials/SSA-Human-Capital-Operating-Plan-FY2024-FY2026.pdf>.

top three areas for improvement. Additionally, attracting and retaining new hires has been a challenge. Our direct service structure hampers our ability to compete with the workplace flexibilities of other similar agencies.

*Question.* What can the SSA do to improve its employee retention rates? Please provide concrete steps on how you plan to address employee attrition, including benchmarks with dates and measurable goals.

*Answer.* We are listening to our employees. On this year's Federal Employee Viewpoint Survey, we increased our participation or response rate by over 50 percent since last year—the highest year-over-year increase of any agency in the Federal Government. So our staff are most definitely reengaging. However, we know that morale still has a long way to go in light of the heavy weight of shrinking staff and growing workloads.

Starting Day One, I visited SSA offices across the country and encouraged front-line employees to identify ideas for improving the customer and employee experience. We received over 3,500 employee submissions. So far, we implemented dozens of quick wins to reduce time-consuming, administrative burdens on the public and make employee workloads more manageable. These changes are available on our recent agency accomplishments webpage. Based on all the input, we also developed our FY 2024 SSA Action Plan, which boils down the most impactful things we can accomplish into 27 strategic initiatives. Action on each of the initiatives has already begun; many will take more than just the year to fully accomplish. However, these efforts will also require important investments, including enactment of the FY 2025 President's budget.

Additionally, with our FY 2024 enacted appropriation, we are providing limited targeted hiring and overtime to front-line operations. Through our HR Security Stat—which meets every 2 weeks—we are working to improving employee training to better equip new hires, and strengthen retention. For example, we recently aligned our Domestic Employees Teleworking Overseas policy with section 6202 of the FY 2022 National Defense Authorization Act to better support military spouse employees.

I am proud of these accomplishments and the hard work SSA is doing. But, these improvements will only go so far—our budget directly drives our staffing levels. We need a budget every year that allows us to continue hiring and fund needed service improvements.

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#### QUESTIONS SUBMITTED BY HON. JOHN BARRASSO

*Question.* I appreciate your recognition of the many issues facing the Social Security Administration. In comparison to pre-COVID performance metrics, wait times for phone calls and in-person services approximately doubled. The time frame for disability determinations has also doubled, alongside the disability claims backlog.

How do you account for the poor performance outcomes described above?

*Answer.* SSA's budget was essentially level from FY 2018 through FY 2021, while costs continued to increase. We had to make difficult decisions to cut funding in certain areas, such as staffing and overtime. As a result, we ended FY 2022 with our lowest staffing level in more than 50 years. At the end of FY 2024, we served over 7 million more beneficiaries with about 6,300 fewer full-time permanent staff when compared to FY 2015.

Modernization and other efficiencies helped for some things, but we cannot keep doing more with less. With funding we received in our FY 2024 enacted appropriation, we are providing limited targeted hiring and overtime to our front-line operations. We need your help to ensure we have sufficient and sustained funding. I encourage you to support the President's budget request for FY 2025.

*Question.* What is your strategy to decrease the time frame for disability determinations?

*Answer.* One of our FYs 2024–2025 Agency Priority Goals is to improve the customer experience by reducing the wait time for an initial disability claim decision. By September 30, 2025, our goal is to achieve an average processing time for initial disability claims of 215 days and decide 92 percent of pending initial disability claims that begin the fiscal year 180 days old or older.



So far, we implemented many recent agency accomplishments to reduce administrative burdens and improve access for people with disabilities. Additionally, our FY 2024 SSA Action Plan boils down the most impactful things we can accomplish into 27 strategic initiatives. Including to reduce disability wait times. Action on each of the initiatives has already begun; many will take more than just the year to fully accomplish. However, these efforts will also require important investments, including enactment of the FY 2025 President's budget. Our ongoing progress can be tracked on SecurityStat, which is a performance measurement tool to help us set goals, choose actions, and monitor progress in meeting these challenges.

*Question.* What is your plan to reduce wait times for phone calls and in-person appointments?

*Answer.* Reducing telephone wait times is one of my top priorities, and we address it every 2 weeks in our 800 number SecurityStat session.

We also have a new executive who reports directly to me with extensive experience managing high-volume call centers. I've tasked her with conducting a full review of our 800 number services to make recommendations to improve the employee and customer experience.

On August 22, 2024, we transitioned our 800 number to a better-performing phone system with certain advantages like call-back assist. We have begun to turn the tide in the right direction. In October, we answered calls in an average of 12.8 minutes—still nothing to write home about, but significantly improved from 42 minutes last November. We estimate this move will save the agency up to \$25 million in operating costs over 5 years.

As outlined in our FY 24 SSA Action Plan, we are looking at expanding automated features like Interactive Voice Response. We are also considering increasing self-service options for those who prefer them, reducing wait times for individuals who need to speak with an agent. Additionally, we are addressing the root causes of why people are being driven to our 800 number by simplifying complex and confusing notices and completing customers' needs on the first contact.

We recognize that customers are waiting far too long for appointments, and we meet to tackle this issue every 2 weeks during our Operations SecurityStat. In February 2024, we shared best practices with all field office managers to ensure appointment calendar availability. We are also looking at additional opportunities for workload sharing to improve our appointment timeframes.

As noted in response to your first question, modernization and other efficiencies helped for some things, but we cannot keep doing more with less. We are doing everything we can within the current funding environment, but meaningful improvements we need require technology and funding for enough trained staff.

*Question.* What is your solution to addressing the disability claims backlog?

*Answer.* As noted in our responses to your first two questions, improving the disability claims process is one of my top priorities. Our recent accomplishments and FY 2024 limited targeted hiring can help us address the backlog, but ultimately, we need funding for technology and enough trained staff. With the FY 2025 President's budget, we plan to get processing times down to 215 days for initial disability claims. Our long-term goal is to reduce those waits to 4 months (120 days).

*Question.* Since COVID, the SSA has relied heavily on telework. I believe this is a massive factor in the poor performance outcomes described above. You have made changes to teleworking policies, which have yet to take effect. But they fall far short of a quick and immediate return to pre-COVID norms.

Do you believe a stronger on-site presence will improve customer service?

*Answer.* Yes, I believe a stronger on-site presence enhances collaboration, engagement, and innovation. Our primary goal is to ensure we deliver on our mission to provide the level of service our customers expect and deserve. We know that many people rely on our in-person services, and we strive to provide people with the benefits and services they have earned and need.

*Question.* Why is your agency not requiring employees to fully return to the office?

*Answer.* Like most agencies, we have had telework to some degree at our agency for over 20 years, and our approach to our telework policy is the same now as it was before the pandemic. We use telework where it supports our mission. In accordance with the Telework Act of 2010, our telework program, which we have had for over 20 years, provides workplace flexibility and continuity of operations during

emergencies. Before the pandemic, it was not unusual for employees to telework or for employees to bring laptops home in anticipation of weather or other emergency-required telework days.

The hybrid work environment is important to our recruitment and retention efforts in today's labor market. It helps us compete with other private employers and other Federal agencies that offer flexible work arrangements. In addition to supporting recruitment and retention, the hybrid work environment enables us to institute space sharing or hoteling when it makes business sense.

*Question.* Do you have an expected timeline for a full-return to the office? If not, when will you have one?

*Answer.* We do not anticipate discontinuing our use of telework in the foreseeable future. In April, we significantly increased our on-site presence to ensure we gain the benefits of working together, face-to-face, while maintaining hybrid work benefits as well. Currently,

- Ninety percent of SSA employees are recurring teleworkers, teleworking 1 or more days a week based on a signed agreement with management. For instance, field office employees and most headquarters employees report onsite at least 3 days a week.
- One percent of SSA employees work remotely.
- Nine percent of SSA employees work in-person full time.

*Question.* The Social Security number is the centerpiece of American identity. Whether you are obtaining employment, opening a bank account, establishing credit, or countless other purposes, you need a Social Security number. This is also the case for receiving government benefits. As a result, there are numerous reasons someone would attempt to steal another person's Social Security number.

Massive data breaches have left American citizens vulnerable to identity theft. Criminal networks are dangerously sophisticated in stealing these numbers and selling them to bad actors. Now, pair these risks with the influx of 9 million illegal immigrants in the last 3 years alone. We know that many illegal immigrants obtain stolen Social Security numbers of U.S. citizens to receive benefits and obtain jobs. Past projections, according to the Center for Immigration Studies, indicate 75 percent of illegal immigrants are using fake or stolen numbers. Another study from the Social Security Administration in 2013 estimated that some 700,000 illegal immigrants were using stolen Social Security numbers.

Do high levels of illegal immigration pose greater risks for widespread identity theft, in terms of citizens having their Social Security Numbers stolen?

*Answer.* We recognize the challenges of identity theft. As the White House has said,<sup>23</sup> it is clear that reliance on historic knowledge-based verification (*e.g.*, Social Security number, date of birth), is more and more susceptible to attacks given the widespread ease of access by criminal syndicates to individuals' personal information, which can be bought on the dark web for pennies.

Regarding the SSA study you referenced, we believe you are referring to SSA's April 2013 Actuarial Note: Effects on Unauthorized Immigrants on the Social Security Trust Funds.<sup>24</sup> However, the study notes that the majority of the SSNs in the figure you cite were not stolen from citizens but were obtained from SSA, often decades earlier, by using fraudulent documents. To address this, we successfully strengthened identity verification for the SSN application process over time. Today, we use a robust application process requiring SSN applicants to submit evidence of age, identity, and United States citizenship or current work-authorized immigration status. We also coordinate with other government agencies—the custodians of the records we use to assign SSNs—to obtain the information they collect and verify electronically. Our estimates made use of data and estimates from the Census Bureau and Department of Homeland Security.

<sup>23</sup>Fact Sheet: President Biden's Sweeping Pandemic Anti-Fraud Proposal: Going After Systemic Fraud, Taking on Identity Theft, Helping Victims, The White House. <https://www.whitehouse.gov/briefing-room/statements-releases/2023/03/02/fact-sheet-president-bidens-sweeping-pandemic-anti-fraud-proposal-going-after-systemic-fraud-taking-on-identity-theft-helping-victims/>.

<sup>24</sup>[https://www.ssa.gov/OACT/NOTES/pdf\\_notes/note151.pdf](https://www.ssa.gov/OACT/NOTES/pdf_notes/note151.pdf).

From SSA's perspective, when we come across any evidence of misuse of an SSN, we refer the matter to our Office of Inspector General to investigate. Our OIG is responsible for investigating allegations of SSN misuse and fraud.

We refer the public to the Federal Trade Commission, which provides public resources at Federal Trade Commission, Protecting America's Consumers,<sup>25</sup> and publishes fraud trend data at Explore Data, Federal Trade Commission.<sup>26</sup>

*Question.* What is the agency doing to stop identity theft, and how are you working to protect U.S. citizens from being victims?

*Answer.* We use various strategies to educate the public and our employees about how best to protect their sensitive information from fraudsters. For example, we:

- Released public service announcements, worked with external groups and agencies to raise awareness, and partnered with the United States Postal Service to display identity scam prevention posters in Post Offices around the country.
- Provide our employees with the latest information to ensure they can help the public, including their friends, families, and communities.
- Use social media to reach individuals, advising them to "guard their card" and sensitive information.
- Collaborate closely with our OIG to keep our customers and employees informed of developing threats against their personal information, like our annual Slam the Scam.
- Perform over 2 billion legally authorized automated SSN verifications annually through more than 3,500 data exchanges.<sup>27</sup>

*Question.* What services are you providing U.S. citizens who have had their Social Security number stolen and misused?

*Answer.* We understand the frustration, distress, and economic hardship that SSN misuse and identity theft cause victims. If an individual suspects their identity has been stolen, they can contact us directly and we can correct SSA program-related issues.

We develop cases of possible SSA-program related fraud and refer them to our OIG for investigation as appropriate. Individuals who suspect their identities have been stolen can place a block on their online SSA account to prevent anyone from viewing their record or being able to change direct deposit information online or by phone without contacting us.

As a matter of practice, we also provide individuals who suspect their identities have been stolen with up-to-date information about steps they can take to work with credit bureaus, law enforcement agencies, and the Federal Trade Commission. We encourage individuals to consider contacting the IRS because an identity thief might use a stolen SSN to file a tax return.

*Question.* How many illegal immigrants used stolen Social Security numbers and fraudulent Social Security cards last year?

*Answer.* Please refer to our previous response.

*Question.* Has there been an increase in fraud over the last 5 and 10 years?

*Answer.* Please refer to our previous response.

*Question.* Please provide any additional data the Social Security Administration has on the current use of Social Security number by illegal immigrants.

*Answer.* Please refer to our previous response.

<sup>25</sup> <https://www.ftc.gov/>.

<sup>26</sup> <https://www.ftc.gov/news-events/data-visualizations/explore-data>.

<sup>27</sup> Our verification services verify that the name, SSN, and other information presented match our records. We cannot verify that the individual presenting that information is the correct individual.

PREPARED STATEMENT OF HON. RON WYDEN,  
A U.S. SENATOR FROM OREGON

Today, the Finance Committee meets to discuss the Biden administration's commitment to protecting and strengthening Social Security. Thank you, Commissioner O'Malley, for joining us. Commissioner, you're not even 100 days into your time in office, and already, you've taken more concrete action to help seniors and improve operations in your administration than most of your predecessors.

At your confirmation hearing back in November, I pressed you on the urgent need to address the scourge of overpayments, which are forcing already struggling beneficiaries to pay back thousands—sometimes even tens of thousands—of dollars because of a mistake that was no fault of their own. No American living on a fixed income, struggling to balance the grocery bill against rent and utilities, can afford to pay a large bill back to the government.

A few years ago, I wrote a law requiring the Social Security Administration to modernize its systems to prevent overpayments. For years, SSA dragged its feet on implementing those changes. Many of the recent problems with overpayments could have been prevented if the agency had implemented these changes sooner.

Just 3 weeks after you were confirmed, Commissioner, you committed to bringing the SSA into the 21st century, and promised to get these new systems up and running this year. This will significantly streamline Social Security's process so the agency can get wage data quickly, efficiently, and accurately to prevent overpayments.

You promised swift action, and you've already been delivering, and exceeding expectations—not only on big, pressing problems like overpayments, but you haven't shied away from diving right in to fix some of the smaller challenges the SSA is facing. Listening to employees and seniors, you are also making concrete changes that will make it easier for seniors to sign up for Medicare and improve customer service.

You've shown that no problem is too small to fix if it means improving service and getting checks out the door faster to seniors who need them.

In my view, when it comes to these challenges, there's a clear choice to make: we can either let a broken system continue to upend the lives of Americans, or you can tackle these problems head-on. Commissioner, as far as I can tell, you've made the right choice.

To build off of that, last week President Biden released his administration's budget and reaffirmed his commitment to protecting Social Security and his opposition to any cuts to Americans' hard-earned benefits. That's a sharp contrast to the Republican front-runner for the presidential nomination, who that same day said on national television that there was a lot that can be done on Americans' hard-earned Social Security and Medicare benefits, quote "in terms of cutting." That, in a nutshell, is his platform when it comes to this issue: cut programs, and let everyone else pick up the pieces.

Obviously, solvency is top of everyone's minds with regard to protecting Social Security, and I will continue working alongside my colleagues to ensure we protect Americans' hard-earned benefits for decades to come. A key piece of that puzzle will be finally making sure billionaires and the ultrawealthy start paying their fair share. My billionaires income tax would ensure the ultrawealthy start paying the taxes they owe and help close the gap to ensure seniors can depend on the lifeline of Social Security for years to come.

I'll close with this: today's hearing is a bit out of the ordinary for us, as the Finance Committee has not held a hearing specifically to perform oversight on the Social Security Administration's budget in over a decade. But today's hearing is further evidence of momentum under Commissioner O'Malley and President Biden's leadership to deliver for seniors. I convened today's hearing not only to get an update on the Biden administration's efforts to address ongoing challenges within Social Security, but to also underscore exactly what's at stake with this bedrock program that millions of seniors and Americans with disabilities rely on.

President Biden's proposed budget for the coming year shows his commitment to protecting seniors' hard-earned benefits and ensuring the Social Security Administration has the resources it needs to improve customer service and better serve the American people.

Commissioner, as discussed, you've been hard at work to get things back on track. I look forward to hearing more today about your ongoing efforts to protect Americans' hard-earned Social Security benefits.

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## COMMUNICATIONS

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### AARP

March 20, 2024

The Honorable Ron Wyden  
Chairman  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Mike Crapo  
Ranking Member  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Wyden and Ranking Member Crapo:

AARP, which advocates for the more than 100 million Americans age 50 and older, thanks you for holding today's important hearing on "The President's Fiscal Year 2025 Social Security Administration Budget." Social Security has an unparalleled nearly 90-year track record of success, is incredibly popular with the American people, and serves as a lifeline for millions of older Americans and their families. Congress should and must do more, therefore, not only to protect Social Security, but also to improve the vital services provided by the agency.

#### **The Importance of Social Security**

According to the Social Security Administration (SSA), more than 67 million Americans are currently receiving the money they have earned from Social Security after a lifetime of hard work and contributions. Social Security is the principal source of income for over 40 percent of older American households, and roughly one in six older households depend on it for nearly all of their income. Despite its critical importance, people's average checks are modest. Nonetheless, Social Security lifts approximately 16.5 million older Americans out of poverty and allows millions more to live their retirement years independently, without fear of outliving their income.

#### **Increased Funding for SSA Customer Service**

AARP believes that older Americans and their families have earned not only their Social Security, but the right to receive timely and accurate services from SSA. Unfortunately, service at the agency has been declining for many years, largely as the result of underfunding from Congress. This trend must end now.

SSA simply does not have the resources it requires to provide all services promptly and properly to its customers. Between 2010 and 2023, SSA's operating budget shrank by 17 percent, even as the number of beneficiaries grew by 22 percent. SSA is also currently experiencing historic lows in staffing. It is not realistic to expect SSA to provide the necessary level of service to a growing customer base with a shrinking workforce and the continued failure of Congress to approve adequate funding. These failures are having very real consequences for the American people.

AARP often hears from our members who are frustrated, or worse, when interacting with the agency. Callers to SSA's National 1-800 number wait an average of 35 minutes for their call to be answered, with many hanging up long before then. American workers filing for disability benefits are experiencing the longest wait time ever for an initial determination. For those who are originally denied and seek a decision from an Administrative Law Judge, they must wait an additional year on average. Shockingly, more than 10,000 people die every year while waiting for a final decision on their disability claims.

To help SSA make necessary improvements to its customer service, Congress must make available increased funding for the agency. As such, AARP urges Congress to approve, at a minimum, the Administration's \$15.5 billion request for SSA adminis-

trative expenses for the 2025 fiscal year. With this additional funding, which comes not from general revenue but from the Social Security Trust Funds, we expect the agency to make long-overdue improvements in service and hire top-quality staff to meet the needs of the American public.

Social Security has a responsibility and a duty to provide timely and quality service to the public, and Congress has a duty to ensure the agency has the resources necessary for SSA to fulfill its mission. We are already nearly halfway through the 2024 fiscal year, but Congress has lurched from one funding crisis to another, paralyzing agencies like SSA who need to hire staff and make long-term investments for the future. Given that this agency's dollars come mostly from the Social Security Trust Funds, not general revenue, Congress is effectively denying the American people the customer service they deserve and have already paid for via their payroll taxes.

We strongly urge Congress to reverse the trend of denying SSA the funding it needs, and to ensure those additional dollars are spent to improve customer service.

### **Social Security Deserves a Full and Open Debate**

Congress must act to ensure Social Security remains strong for generations to come. According to the most recent Social Security Trustees' report, Social Security can continue to pay 100 percent of earned benefits until 2034. After that, and without action from Congress, Social Security can continue to pay about 80 percent of promised benefits for generations, falling to 74 percent in 2097. Social Security is not "going broke" as some have argued, but Congress does need to take action sooner rather than later to shore up the program's long-term finances and to ensure the future adequacy of Social Security.

At the same time, AARP calls on Congress to take up this important work in an open, transparent way. AARP believes the Senate Finance Committee, which has deep expertise and jurisdiction over Social Security, should be the lead on such efforts, not a new commission or "super committee." We strongly object to proposals to create new commissions or committees to address Social Security. If regular order is the gold standard for routine legislative matters, it certainly should be the standard for Social Security.

Moreover, let us be clear that debt and deficits in the general budget are not the correct lens through which to view changes to Social Security. Instead, any changes should focus on the financial and retirement security of the American people. Social Security is *not* a driver of the annual deficits or current national debt. It is not funded by general revenue but is instead self-financed. In fact, more than 90 percent of Social Security is financed by payroll tax contributions from American workers and employers; around 4 percent is from federal income taxes on some Social Security benefits; and around 6 percent comes from interest earned on U.S. Treasury bonds held by the Social Security Trust Funds. Any argument that claims Social Security is a driver of the national debt—simply because it receives interest from the U.S. Treasury bonds it has purchased—is disingenuous at best.

Older Americans agree that Social Security should be protected in any discussion about the debt or deficit. According to AARP research,<sup>1</sup> 85 percent of older Americans oppose targeting Social Security to reduce federal budget deficits. And this is consistent across political affiliation: 88 percent of Republicans, 79 percent of Independents, and 87 percent of Democrats strongly oppose cutting Social Security to reduce the debt.

### **Conclusion**

Once again, thank you for holding today's important hearing. We look forward to working with you to ensure millions of older Americans and their families receive the high-quality service they deserve from SSA and to protect their hard-earned Social Security. If you have any questions, please feel free to contact me, or have your staff contact Tom Nicholls on our Government Affairs staff at [tnicholls@aarp.org](mailto:tnicholls@aarp.org) or (202) 434-3765.

Sincerely,

Bill Sweeney  
Senior Vice President  
Government Affairs

<sup>1</sup> <https://www.aarp.org/pri/topics/work-finances-retirement/social-security/social-security-medicare-budget-deficit/>.



## AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL–CIO

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[www.afge.org](http://www.afge.org)

Chairman Wyden, Ranking Member Crapo and Members of the Committee:

On behalf of the American Federation of Government Employees, AFL–CIO (AFGE) which represents over 750,000 federal employees at over 70 different agencies, we thank you for holding this important hearing on Social Security Administration’s (SSA) FY 2025 budget proposal.

With offices in every state, AFGE represents over 44,500 SSA employees. AFGE employees at SSA help more than 67 million elderly, disabled, widows and orphaned children access the insurance benefits earned from working. These benefits, which only average \$1,773 a month,<sup>1</sup> help these families survive when they can no longer work because of age, disability or death of a family member. For about 40% of elderly beneficiaries, Social Security is their largest source of income in retirement.<sup>2</sup> While 10% of seniors over the age of 65 are currently in poverty, without Social Security a whopping 39% of seniors would be in poverty.<sup>3</sup> Social Security is also the largest and most successful children’s anti-poverty program; nearly 4 million children of a disabled, retired, or deceased parent are helped by the program.

With the baby boom generation entering retirement years at a rate of 10,000 a day Social Security beneficiaries have increased by 22% from 2010 to 2023.<sup>4</sup> However, SSA’s operating budgets have not only failed to keep up, they have decreased by 17%.<sup>5</sup> This has led to a loss of 16% of SSA’s workforce, nearly 10,000 workers, going from 66,989 full time equivalent employees (FTE) in FY 2010 to only 58,201 FTEs in FY22. For the public, this means long wait times for individuals in need to get the help they need. For example, average phone wait times were 35 minutes in February 2024, and disability claims wait on average 7.5 months for an initial claim and 2.5 years through the hearing level.

To better serve the public, the agency needs more front-line staff to process claims and to retain its experienced workforce. According to agency data, SSA only has 18,500 Claims Specialists in Field Operations. Yet in FY23, it would have taken 29,300 work years to complete the existing Retirement, Survivor, and Disability claims. SSA needs thousands of additional Claims Specialists to process claims and prevent the backlog of cases from continuing to grow. Due to high attrition in the Customer Service Representative position (FY 2023 shows 15% attrition with Customer Service Rep positions in field offices, 21% attrition with Customer Service Representative positions in the SSA Tele-Service Centers), Claims Specialists are doing four different jobs. They are not only given claims cases at increasingly rapid rates, but now also answering general phone inquiries, serving walk-in customers at field offices, processing card applications and taking more complex cases. This results in employee fatigue and burn out and is the driving cause of higher than normal attrition (10% for employees in SSA Field Operations FY 2023, 4 points higher than historic averages).

Years of underfunding has left SSA employee benefits far behind those offered by other agencies. SSA is one of the only federal agencies that does not offer a student loan repayment benefit or childcare subsidies to its workforce. AFGE surveyed its members and found 76% believe their compensation does not reflect the importance, complexity, or volume of the work they perform. Employees frequently leave SSA for other federal agencies with better benefits and less stressful working conditions. An AFGE internal survey of SSA employees found that 54% of the workforce is considering leaving the agency in the next year. This is especially devastating to public service because many SSA positions require years of training and experience to become efficient. To improve public service, it is vital that SSA be able to compete

<sup>1</sup> SSA Monthly Statistical Snapshot, February 2024. Available at: [www.ssa.gov/policy/docs/quickfacts/stat\\_snapshot/](http://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/).

<sup>2</sup> SSA Fact Sheet. Available at: [www.ssa.gov/news/press/factsheets/basicfact-alt.pdf](http://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf).

<sup>3</sup> “President’s Budget Strengthens Social Security,” CBPP, March 11, 2024. Available at [www.cbpp.org/blog/analyzing-president-bidens-2025-budget#Kathleen-Romig-311150PM](http://www.cbpp.org/blog/analyzing-president-bidens-2025-budget#Kathleen-Romig-311150PM).

<sup>4</sup> “Social Security Administration Needs Additional Funding to Avoid Exacerbating Customer Service Crisis,” CBPP, September 22, 2023. Available at: [www.cbpp.org/blog/social-security-administration-needs-additional-funding-to-avoid-exacerbating-customer-service](http://www.cbpp.org/blog/social-security-administration-needs-additional-funding-to-avoid-exacerbating-customer-service).

<sup>5</sup> “Social Security Administration Needs Additional Funding to Avoid Exacerbating Customer Service Crisis,” CBPP, September 22, 2023. Available at: [www.cbpp.org/blog/social-security-administration-needs-additional-funding-to-avoid-exacerbating-customer-service](http://www.cbpp.org/blog/social-security-administration-needs-additional-funding-to-avoid-exacerbating-customer-service).

with other federal agencies for the best workers. AFGE recommends recruitment and retention pay for employees to incentivize them to stay in their SSA career. AFGE also recommends bilingual differential pay to recruit and retain bilingual workers that offer undeniable cost savings and efficiency to SSA and on par with the private sector that offers 5–20% of base pay to multilingual employees after testing criteria are met.

Commissioner Martin O'Malley's confirmation has been a shot in the arm at the agency, where he has already enacted common sense reforms to improve efficiency and employee morale. He identified ways to afford employees more flexibility to stay productive on the job while also allowing managers to have more employees on hand to serve the public. But he can only do so much without the support of Congress. Last December, the Senate overwhelmingly confirmed Martin O'Malley to be SSA's Commissioner. It is now vital for you to support him and the public SSA serves by supporting the funding needed to modernize the agency.

Many of our older workers remember when SSA used to be one of the best places to work in the federal government and was properly resourced. If funding kept up with inflation since FY 2010, SSA's current budget would be nearly \$16.5 billion.<sup>6</sup>

President Biden requested \$15.4 billion for SSA for FY 2025, an increase of \$1.3 billion or 9% over the 2-year period since FY 2023. This investment would improve public service and is an important first step in restoring the agency's staffing levels, which have reached record lows. However, even this increase barely keeps up with inflation. For example, Social Security found inflation to be 9.1 percent over the most recent 2-year period (5.9% in 2022 + 3.2% in 2023). At a minimum, Congress must meet the President's modest proposed increase or else service at the agency will continue to deteriorate.

Not only should Congress fully fund the President's budget request; it should explore other ways to increase agency efficiency. In the Inflation Reduction Act, Congress gave the Internal Revenue Service (IRS) a much needed injection of funding through the creation of an \$80 billion fund that could be spent down over the next 10 years. A \$20 billion fund could allow Commissioner O'Malley to modernize SSA and restore the agency's ability to serve the public. SSA also suffers by being subject to budget spending caps, despite the fact it has a dedicated revenue stream from FICA taxes and is supposed to be funded from the Trust Fund. Using the trust fund to bolster service could be done without any budgetary impact.

AFGE thanks you for holding this hearing on the Social Security Administration's budget and for considering our recommendations on behalf of this dedicated workforce. We urge you to fully fund SSA and look forward to working with the Committee to best serve the American public. If you have further questions about any of these issues, please contact Jeff Cruz at [jeff.cruz@afge.org](mailto:jeff.cruz@afge.org).

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CENTER ON CAPITAL & SOCIAL EQUITY  
<https://inequalityink.org/>

Statement of Karl Polzer

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## Could long-term Treasury bonds and Fed financing help close Social Security's funding gap? <sup>1</sup>

### Summary

Besides facing a major long-term funding shortfall, Social Security is putting increased pressure on federal spending and pushing up annual deficits. Spending down Social Security reserves requires the Treasury to sell bonds. As the program moves toward debt financing organically, the paper below explores the possibility of adding long-term public debt and assistance from the Federal Reserve Bank as tools to deal with Social Security's financial shortfall. Experts differ widely on whether

<sup>6</sup> Calculated using \$11,447 (million) in FY 2010 Funding ([www.ssa.gov/budget/assets/materials/2011/2011FullJustification.pdf](http://www.ssa.gov/budget/assets/materials/2011/2011FullJustification.pdf)) then using DOL's inflation adjustment calculator (<https://data.bls.gov/cgi-bin/cpicalc.pl>).

<sup>1</sup> <https://inequalityink.org/wp-content/uploads/2024/03/Fed-and-debt-financing-could-they-help-Social-Security-March-12-2024-.pdf>.

increased debt or general fund financing would be a positive change. Findings include:

- A related and deeper problem than how to structure Social Security’s funding is demographic. The U.S. is not producing enough children or allowing sufficient immigration to build the type of workforce needed to sustain Social Security’s current level of benefits.
- Bonds with longer terms than currently issued could help finance Social Security while benefiting private pension plans and insurance products under certain conditions. But the market for them may be limited.
- There are several ways Congress could provide liquidity or short-term funding for Social Security if needed.
- Increased levels of debt financing could affect legal and procedural protections for Social Security beneficiaries now receiving “entitlements” under the budget rules for mandatory spending.
- Proposals to channel Social Security funds into the stock market would significantly increase the amount of money Congress would have to raise through debt or taxes. One pot of funds would be needed to deal with the current Social Security shortfall, and another needed for stock purchases to fund the program in the future.
- The longer policymakers wait to deal with Social Security’s funding problem, the more likely some kind of debt financing may be needed to maintain the program in the future.

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## **Could long-term Treasury bonds and Fed financing help close Social Security’s funding gap?**

**Karl Polzer**, Center on Capital & Social Equity

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The upcoming annual 2024 Social Security Trustees Report will likely echo previous warnings. The trustees last report,<sup>2</sup> released almost a year ago, cautioned that, unless Congress changes the law, Social Security will only have enough money to pay about 80% of current benefits by 2034. That is when the program’s reserves run dry, and it can only pay out what Social Security taxes bring in.

The program’s actuaries calculate that long-term solvency will require raising Social Security tax revenues by one-third or reducing benefits<sup>3</sup> by one-fourth—or negotiating a combination of the two approaches. They project Social Security’s 75-year deficit is about 1.3% of GDP. When the 2023 report was released, U.S. GDP was \$24 trillion, 1.3% of which equaled about \$388 billion. Multiply by 75 years and you get about \$30 trillion as a rough estimate of the long-term funding gap. Social Security’s annual cost is forecast to increase from 5.2% of GDP in 2023 to 6.3% in 2076—after the Baby Boom generation<sup>4</sup> has passed away—and then decline to 6.0% by 2097.

This paper explores the possibility of adding long-term public debt and assistance from the Federal Reserve Bank as tools to deal with Social Security’s financial shortfall for several reasons. Though falling “outside the box” of conventional policy analysis, long-term debt could lessen the short-run pain of payroll tax increases or benefit cuts otherwise needed to balance its books. This policy approach is not a personal preference.<sup>5</sup> I am not advocating for it. In order to evaluate it, I sought comments from experts in Social Security policy, actuarial science, economics, and the Fed and include some below.

<sup>2</sup> <https://www.ssa.gov/oact/TR/2023/index.html>.

<sup>3</sup> <https://www.msn.com/en-us/news/politics/social-security-cuts-proposals-from-3-politicians-could-slash-your-benefits/ar-BB1igSIM?ocid=msedgntp&pc=HCTS&cvid=0fe558e4cc614c40a1c75ea2d1b1d4fe&ei=29>.

<sup>4</sup> <https://www.census.gov/content/dam/Census/library/publications/2014/demo/p25-1141.pdf>.

<sup>5</sup> <https://inequalityink.org/wp-content/uploads/2024/02/CCSE-work-on-Social-Security-and-retirement-savings-updated-Jan-2024.pdf>.

One motivation for exploring debt financing was trying to push some of the cost of what is generally believed to be a “bulge” in Baby Boomer retirees to later generations. As discussed below, expert review of the article proved this assumption to be questionable at best. The number of Boomer births turns out to be more of a blip than a bulge.

Perhaps the strongest reason to explore debt financing is that it is already under way in an operational sense. As a result of the mechanics of spending down its reserves, Social Security already is moving toward financing its shortfall with bond sales. As I pointed out<sup>6</sup> last year, after almost 40 years of rendering a surplus, Social Security’s revenues dropped below expenditures in 2021. As a result, the federal government has had to raise an additional \$56 billion in 2021, \$22 billion in 2022, and an estimated \$53 billion in 2023 to pay promised benefits. Social Security’s annual funding shortfall is projected to reach \$378 billion in 2032 (unadjusted for inflation) just before reserves run dry. (A thorough description of trust fund’s history and function can be found in “Social Security Cash Flows and Reserves”<sup>7</sup> by David Pattison, and a brief one here.<sup>8</sup>)

Because the entire federal government is spending more than it takes in, drawing down Social Security reserves adds to current budget deficits. The government needs to raise additional funds to use Social Security reserves because they are, in effect, legally binding IOUs from one part of the government to another not backed up by marketable assets. Once the reserves are depleted, the government will need Congressional authority to tap new sources of revenue.

I hypothesized that long-term bonds might be able to help Social Security in many ways. If Congress, for some reason, waited until the last minute to act on the shortfall, they could help provide short-term funding and liquidity to prevent a sudden drop in benefits. Bonds could also be a significant part of a long-term financing solution.

For the sake of experiment, assuming U.S. GDP averages \$30 trillion over the next 75 years, Social Security would need roughly \$400 billion a year in additional funding. What would be the impact if the government financed about half of that amount (\$200 billion) a year through long-term debt?

While financing experts no doubt could come up with better ways to engineer this, I offered a couple of options. Congress could authorize the Treasury to sell special 50-year to 100-year bonds to raise \$200 billion (or whatever amount decided) each year and send the cash to the Social Security trust fund, which, in turn, would carry an obligation to repay the rest of the government when the bonds matured. In this way, the rest of the federal government would be loaning Social Security money, just as the social insurance program provided cheap financing to the rest of the government for decades as it generated a surplus during a period when the ratio of workers to beneficiaries<sup>9</sup> was higher.

The longest-term US bond now issued by the US matures in 30 years. Already, fourteen OECD countries,<sup>10</sup> most with slowing population growth and increasing life spans, have issued sovereign debt with maturities ranging from 40 to 100 years. A handful of large private-sector organizations including wealthy U.S. universities and health care networks have issued century-long debt. Buyers include pension funds and insurance companies managing long-term risk. Could long-term Social Security debt financing dovetail with future needs of private-sector retirement funds?

The Federal Reserve Bank could play a role in this. Much as the Fed has helped salvage financially distressed and insolvent banks, hedge funds, airlines, and insurance companies, Congress could authorize and direct it to acquire long-term Treasury bonds providing cash to Social Security as assets on its balance sheet. Under the current legal framework,<sup>11</sup> the central bank cannot purchase Treasuries directly from the government. It can work with the Treasury to facilitate government spend-

<sup>6</sup> <https://inequalityink.org/wp-content/uploads/2023/07/Senate-Budget-Committee-Social-Security-hearing-statement-7-12-2023.pdf>.

<sup>7</sup> <https://www.ssa.gov/policy/docs/ssb/v75n1/v75n1p1.html>.

<sup>8</sup> <https://www.ssa.gov/OACT/ProgData/fundFAQ.html>.

<sup>9</sup> <https://www.pgpf.org/blog/2022/08/the-ratio-of-workers-to-social-security-beneficiaries-is-at-a-low-and-projected-to-decline-further>.

<sup>10</sup> <https://fortune.com/2019/08/23/ultra-long-century-bonds/>.

<sup>11</sup> [https://www.federalreserve.gov/faqs/money\\_12851.htm](https://www.federalreserve.gov/faqs/money_12851.htm).

ing. For example, through the 2020 CARES Act,<sup>12</sup> Congress authorized sending \$1,200 checks to individuals in families earning less than a certain amount while the Fed made sure that the government could finance that spending on favorable terms by buying large amounts of government bonds in the secondary market.<sup>13</sup>

Asset purchases including these increased the Fed's balance sheet by \$7.8 trillion<sup>14</sup> between September 2008, just before the acute phase of the financial crisis, and the end of 2022 after the central bank stimulated the Covid-impaired economy, according to the St. Louis Fed. Would adding \$200 billion a year in Social Security debt to its balance sheet be on a scale<sup>15</sup> to pose significant risk to bank and financial system? How much would not pose a risk? Social Security debt could be separated from other Fed assets to minimize the impact on other reserves and potential risk shouldered by Fed member banks. The Treasury could work with the Fed to buy and sell bonds in its Social Security account in a way that facilitated monetary and fiscal policy goals as needed.

As the US economy recovered from the effects of the COVID epidemic, the central bank began reducing its balance sheet gradually (quantitative tightening) in June 2022 by not reinvesting all the proceeds of maturing securities, according to the Brookings Institute.<sup>16</sup> By early January 2024, the Fed had reduced its assets from a peak of nearly \$9 trillion to \$7.7 trillion. Unless its reserves fall to much lower levels, their magnitude may have less of an impact on the economy than movements of assets on and off its balance sheet, which indirectly impact economic growth and interest rates.

One might argue that pumping billions of dollars in debt financing to Social Security beneficiaries each year instead of raising payroll taxes could have inflationary effects. On the other hand, macroeconomic effects might be muted because beneficiaries are expecting to receive benefits at that level. Most of the new money in the system would be used by low- and middle-income retirees and disabled persons to maintain current levels of consumption. Unlike loans to businesses, not much of it would be saved and invested in enterprises stimulating expansion of the money supply and resulting inflation. Minimizing the need to raise taxes could be helpful if there is risk of a recession.

While the Social Security trustees frame financial solvency in terms of pre-funding the program for 75 years, Social Security already is operating on a pay-as-you-go basis relying, along with the rest of the federal government, on increasing levels of debt financing. Though policymakers could shore up Social Security financing<sup>17</sup> without it, long-term debt could be a useful tool in helping break deadlocks to reach compromise over a package of tax increases and benefit cuts.

If Congress does not act, in about 10 years benefits for more than eighty million people will drop by 20%. In 2023, Social Security payments averaged \$1,827 a month. The economic disruption of an average monthly cut of \$365 would be enormous, not only for tens of millions of elder and disabled people and family members who could no longer pay all their bills, but also for food stores, landlords, medical providers, nursing homes, and others receiving their money downstream.

The longer policymakers temporize, the more jarring the economic and political impacts of re-financing the program are likely to be. So, why not use the leading institutions providing capital to the international economic engine to help stabilize the nation's most valued social insurance program?

<sup>12</sup> <https://www.thebalancemoney.com/2020-stimulus-coronavirus-relief-law-cares-act-4801184#:~:text=The%20CARES%20Act%20sends%20a%20%241%2C200%20stimulus%20check,for%20each%20child%20under%20the%20age%20of%2017.>

<sup>13</sup> <https://inequalityink.org/wp-content/uploads/2023/07/fed-helicopter-money-latest-9-01-20.pdf>.

<sup>14</sup> <https://www.stlouisfed.org/on-the-economy/2022/january/have-fed-asset-purchases-reshaped-bank-balance-sheets-part-1>.

<sup>15</sup> <https://markets.businessinsider.com/news/bonds/us-debt-maturing-bond-yields-treasury-bills-federal-reserve-qt-2023-9>.

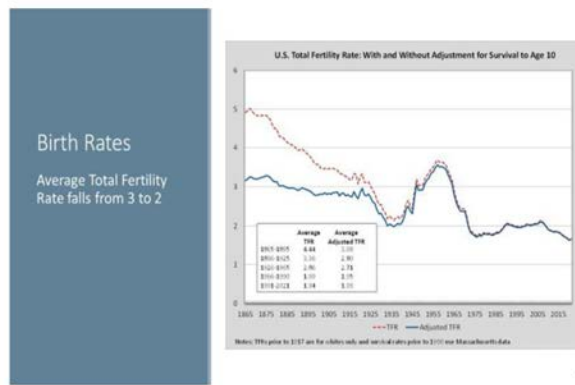
<sup>16</sup> <https://www.stlouisfed.org/on-the-economy/2022/january/have-fed-asset-purchases-reshaped-bank-balance-sheets-part-1>.

<sup>17</sup> <https://www.washingtonexaminer.com/?p=967219>.

### Reviewer Comments

#### *Debt timing, birth rates, immigration, and size of the future work force*

The most important criticism of the proposal is that its widely held assumption that the Baby Boomers constitute a generational “bulge” is incorrect. Social Security’s chief actuary pointed out: “Births in the boom period (1946–65) were not extraordinary as the birth rate (per woman) averaged 3.3 in that period versus about 3.0 prior. Those births are perceived as a boom only because that generation has since led to much lower birth rates (2.0 or lower). The change in the age distribution of the population starting in 2008 is an increasing level shift in the population age distribution, and not a transient bulge. Given this is an apparent permanent shift, borrowing will not be an effective answer.”



Source: SSA Office of the Chief Actuary

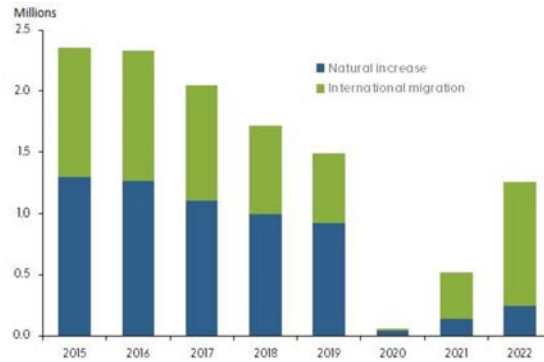
In light of this and other comments, it would make sense to decrease the amount of debt in this financing “experiment” from 50% of the shortfall to somewhere in the range of 10%–25%. Baby Boomer parents had about 10% more children than preceding generations. We cannot be sure that the US birth rate will remain below two in the future though government actuaries and economists may be building that rate into their models. A complementary variable contributing to the size of the future workforce is the rate (and type) of immigration, which recently has been driving US population growth, according to new San Francisco Fed paper.<sup>18</sup>

#### **Annual U.S. population change, 2015–22**

Uncertainty about whether the workforce can grow sufficiently to provide the revenue to fund Social Security obligations may be the most significant finding in this exercise. To what degree can the native US population produce enough children, or its politics allow sufficient inflow of workers,<sup>19</sup> to get the job done?

<sup>18</sup> <https://www.frbsf.org/research-and-insights/publications/economic-letter/2023/02/role-of-immigration-in-us-labor-market-tightness/>.

<sup>19</sup> [https://www.brookings.edu/articles/new-immigration-estimates-help-make-sense-of-the-pace-of-employment/?utm\\_campaign=Economic%20Studies%20Bulletin&utm\\_medium=email&utm\\_content=297899672&utm\\_source=hs\\_email](https://www.brookings.edu/articles/new-immigration-estimates-help-make-sense-of-the-pace-of-employment/?utm_campaign=Economic%20Studies%20Bulletin&utm_medium=email&utm_content=297899672&utm_source=hs_email).



Source: Fed [analysis](#) using Census Bureau data.

#### *Could long-term bonds help?*

Assuming debt plays a future role in Social Security’s financing, one economist commented that long-term bonds might be helpful under certain conditions: “If the new bonds—call them SS bonds—were issued at maturities that overlap regular Treasury issuance, I suspect they would be expensive relative to simply issuing more Treasury debt. So your proposal would be a money-loser. If, however, SS bonds are issued only as super-long bonds, with 50 years to maturity or more, it becomes a question of whether their uniqueness would elicit sufficient specialized demand—mostly from pension funds and insurance companies, I suspect—to overcome their inevitable illiquidity and a hefty term premium. My intuition is that SS bonds of this type would be very expensive to issue. If there were a large demand for 50- to 100-year bonds, why wouldn’t the Treasury have issued them already? In fact, the US Treasury has considered this and decided not to do it, even though some other countries have issued at those maturities.”

At a national retirement security conference<sup>20</sup> in late February, I asked an actuary whose firm manages several pension plans to weigh in. He said that there is a market for debt instruments that can spread risk and manage cash flow over 75 years among pension plans, and that US bonds would offer more security than foreign issuance. However, pension fund managers already have developed a work-around using “derivatives” as a substitute. It’s unclear whether they would turn away from existing products if the US Treasury were to offer new very-long-term bonds.

#### *The Fed and other sources of relief*

Social Security could borrow money from other federal trust funds to deal with liquidity issues as it did from Medicare’s beginning in 1982 as Congress worked on reforms establishing its current financing scheme. If a similar scenario recurred, it is unclear whether inter-trust-fund borrowing would be available or could provide the amount of money needed.

There is also precedent for Congress setting up a separate federal corporation to issue bonds to repay the debts of a trust fund. In 1989, Congress enacted<sup>21</sup> such a scheme to bail out savings and loan (S&L) institutions that failed during the S&L crisis of the late 1980s and early 1990s. REFCORP issued bonds between 1989 and 1991. Over the course of more than 6 years, the Resolution Trust Corporation liquidated, bailed-out, or otherwise resolved, 747 insolvent S&Ls, and thrift institutions. This cost taxpayers almost \$500 billion.

Responding to a scenario involving the Federal Reserve as a potential market maker and long-term holder of Social Security bonds, a former Fed economist provided these comments:

“Even though this flies in the face of the Fed’s preferred operating procedures—hold only Treasury debt that mirrors the Treasury’s outstanding issuance by

<sup>20</sup> <https://www.nirsonline.org/events/previous-conferences/2023-conference-highlights/>.

<sup>21</sup> <https://www.investopedia.com/terms/r/refcorp.asp>.

maturity—you should mention that there is precedent for what you propose. Large-scale asset purchases of federal agency debt and agency mortgage-backed securities made no sense from the traditional Fed perspective. But (former fed chairman) Ben Bernanke made the case that the Fed should prevent the mortgage market from collapsing, rather than waiting for Congress to do it. If a similar emergency occurred for Social Security beneficiaries, the Fed might well step in again. But a much better plan would be to pay for the shortfall out of government resources raised in regular Treasury auctions.”

*Is debt financing of any kind a good idea for Social Security?*

Reviewer reactions to using debt as a future funding source for Social Security ranged from strong objection to acceptance, in part stemming from the state of the federal budget writ large. According to an economist from a conservative think tank:

“My main reservation with your paper is that it is proposing added government debt financing to be bought by the Federal Reserve at a time when our public finances are already on a dangerously unsustainable path. At a time of cyclical strength and full employment, we are running a 6% of budget deficit. According to the Congressional Budget Office, on present policies we will continue to run deficits of that size for as far as the eye can see. That will soon take our debt level to a higher level in relation to GDP than that which we reached in 1945. This would seem to be inviting both a dollar crisis and a move to higher inflation that would constitute an unfair tax on the poor. Rather than adding to the debt problem, I think that a more appropriate way to address the social security crisis is through an equitable way to increase social security revenues and reduce expenditures.”

Another economist predicted that Social Security would survive more or less intact with its shortfall covered by regular Treasury issuance. A third (from a left-to-center think tank) commented: “When you refer to long-term borrowing, that is simply general revenues by another name, but under whatever name it flies, some of it would be a good idea in my opinion. All good, but keep in mind that depositing funds borrowed today is nothing more than general revenues today rather than general revenues tomorrow.” In the current fiscal situation of recurring budget deficits, tapping into general revenues means generating more debt.

*Funding structure, legal and procedural protections*

Many economists characterize Social Security’s trust fund as a “fiction” obscuring that its benefit payments are “just another line item” in the federal budget. The trust fund, however, is part of a matrix of legal and procedural protections for Social Security beneficiaries receiving “entitlements”<sup>22</sup> under the budget rules for mandatory spending.<sup>23</sup> Unlike federal discretionary programs where spending levels are determined annually through appropriations, mandatory spending for entitlements like Social Security is open-ended, guaranteeing that eligible individuals receive benefits according to a pre-set formula. The government must allocate funds to meet the needs of all qualified individuals, even if spending exceeds overall budgetary limits<sup>24</sup> set by Congress and the President. (The Social Security Administration’s operating budget, however, is set by Congress in its annual appropriations process.)

If Congress includes general revenue in Social Security financing reforms, questions arise concerning whether, and to what extent, Social Security might retain its status as an entitlement and mandatory spending: Would the portion of benefits paid for by general funds retain this status? The portion covered by dedicated Social Security taxes? Could entitlement and mandatory spending status disappear altogether?

*Could investing in equities help Social Security?*

Over the years, there have been several proposals to invest trust fund dollars in the stock market in order to generate higher long-term gains than what lending to the rest of the government can yield. Sen. Bill Cassidy (R-LA) recently presented<sup>25</sup> the latest iteration of a Senate study group proposal that would both close Social Security’s current financing gap while also setting up a separate equity fund to help fi-

<sup>22</sup> [https://en.wikipedia.org/wiki/Mandatory\\_spending#:~:text=The%20bulk%20of%20mandatory%20spending%20is%20for%20entitlement,specific%20mandatory%20program%2C%20outlays%20are%20made%20automatically.%20](https://en.wikipedia.org/wiki/Mandatory_spending#:~:text=The%20bulk%20of%20mandatory%20spending%20is%20for%20entitlement,specific%20mandatory%20program%2C%20outlays%20are%20made%20automatically.%20)

<sup>23</sup> <https://crsreports.congress.gov/product/pdf/R/R44582>.

<sup>24</sup> <https://policyvspolitics.org/what-is-the-debt-ceiling/>.

<sup>25</sup> <https://www.nirsonline.org/events/previous-conferences/2023-conference-highlights/>.



nance Social Security decades in the future. Aside from the higher risk posed by equity value fluctuation, because trust fund outflow now exceeds inflow, this proposal would significantly increase the amount of money Congress would have to raise through taxes or borrow. One pot of funds would be needed to deal with the current shortfall, and another needed for stock purchases to fund Social Security in the future. Pre-funding Social Security is more difficult than it has been in the past. Before putting Social Security funds at risk in the stock market, proponents might consider trying it with a dedicated funding stream of an agency with a much smaller budget. For example, what about a trial run with the Securities and Exchange Commission?<sup>26</sup>

#### *Final observations*

While I do not necessarily favor debt financing to help close Social Security's financing gap, the program's current structure is putting increased pressure on federal spending and pushing up annual federal deficits. The longer policy makers wait to deal with Social Security's funding problem, the more likely some kind of debt financing may be needed to maintain the program in the future. Long-term bonds could be part of that solution under certain conditions but probably could not play a major role. A related and deeper problem facing the US than how to structure Social Security's funding is demographic. The country is not producing enough children or allowing sufficient immigration to build the type of workforce needed to sustain Social Security's promised benefits.

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### Statement of Michael Bindner

Chairman Wyden and Ranking Member Crapo, thank you for the opportunity to address Administrator's testimony.

#### General Approach

For obvious reasons, this year will be more hectic than the last. The budget and appropriations process need to be simple. To do this, please just pass a consensus caretaker budget with two draft partisan supplemental bills, one of which can be enacted during the Lame Duck Session or at the beginning of the next Congress for the president-elect to sign upon taking office, depending on who wins. Details are provided in our comments to the full Ways and Means Committee on the HHS budget.

If such a budget is enacted, use it as the basis for spending caps for a new Budget Control Act. Make the targets realistic and self-enforcing for purposes of Appropriations Committee allocations.

#### Contingencies

In the event the majority in the House shifts due to early retirements or insurrection indictments, the Senate majority and the House minority should have legislation ready to enact a Public Option, including reconciliation instructions for the FY24 budget year. Details are provided in our comments to the full Ways and Means Committee on the HHS budget.

Any change in control will only last through the special election cycle; this should be the second priority. The first must be amending the Electoral Count Act and the jurisdiction of the Ethics Committees to provide for the enforcement of the Fourteenth and Twentieth Amendments, including provisions for removing any such disability for members and/or the president-elect.

#### The President's Budget

The submitted budget strengthens Social Security in a way that ensures no benefit cuts; extends solvency by asking the highest-income Americans to pay their fair share; and improves financial security for seniors and people with disabilities. These priorities have not changed to a great extent. We will address these proposals in the order presented by OMB.

Social Security 2100 is the current "school solution" proposed by the Democrats. I hope that it clears both chambers, preferably on a bipartisan basis. However, as I mentioned in my 2019 comments to the Social Security Subcommittee, we cannot stop because we have made the numbers work.

#### America Needs a Raise

Too many of the retired and disabled Americans (myself included) find it hard to make ends meet. The savaging of pension rights has made a decent retirement a rarity, as it is impossible for workers to both save and feed their families.

More is needed than simply reinforcing the status quo. Work must pay enough for workers to put money away, as the three-tooled retirement model requires. Note that an employee-ownership model would restore pensions and end the need for such furniture.

The President's proposal to restore the Child Tax Credit, which has already been passed by the House, is a major step in that direction. It is one of the two things that must be continued to meet our sacred trust for their retirement, as well as their present well-being.

So that no one will simply use fecundity for their incomes, minimum wages must be increased for present workers. **Current retirement, survivors, disability, and unemployment insurance and minimum wage levels are inadequate.** America needs a raise, which should be adjusted for inflation on an annual basis. Twice the current level, but with a shorter work week (and work day) would eliminate the incentive to cut work hours for lower wage employees to avoid paying benefits (as well as improvements to how healthcare is funded, which is a whole other subject).

Unemployment, retirement, and disability insurance should at least match increased minimum wage levels on a full-time basis (but assuming 26-hour work

week). This means that the minimum benefit, not the average, should be at least \$1,600 per month.

The median benefit needs to be high enough so that no one who is disabled or retired requires either Food Stamps or housing subsidies to meet basic needs. Upwards of \$2,000 per month is necessary, especially as the vast majority of retirees do not bring large retirement funds with them into old age, and certainly not into disability.

Payments to dependent children for survivors and the disabled should be abolished and replaced with an enhanced CTC at the \$1,000 per month level.

To increase benefits for retirees and the disabled, consider the higher minimum wage rates as wage inflation and readjust all prior work experience by this inflation. Combined with some of the tax rate adjustments in the proposed Act, raising the minimum wage will increase future revenues enough to pay for higher benefits.

### **The Federal Role in Causing Inflation and Inequality**

Households making under the 90th percentile have been losing ground for almost half a century, while incomes above that amount have increased on a regular basis.

The source of inequality, aside from abandoning the 91% top marginal tax rate, is granting raises at an equal percentage rather than by an equal amount. When the 91% rate was repealed, incomes were fairly equal, so it was not an issue.

The federal government plays an outsized role in how salaries are determined through percentage-based cost of living adjustments to government workers, beneficiaries, government contractors. The government can change this with the stroke of a pen. The private sector will follow suit with a higher minimum wage, adequate child tax credits (as described below) and paying individuals in training from ESL to community college the minimum wage to pursue their studies.

**From here on in, adjust for cost of living for federal employees and contractors on a per dollar an hour rather than on a percentage basis (or dollars per month or week for federal beneficiaries).** Calculate the dollar amount based on inflation at the median income level. No one gets more dollars an hour raises, no one gets less dollars per hour in increases. Increase the minimum wage as above and consider decreasing high end salaries paid to government employees and contractors. Even without decreases, simply equalizing raises will soon reduce inequality. Why is this necessary?

Prices chase the median dollar. The median dollar of income is actually at the 90th percentile, rather than the 77th percentile (which is about where the median is). This strategy will reduce inflation in both the long and short terms as prices adjust to decreases in higher salaried income. **Let me repeat this—prices chase income dollars, not income earners.**

### **Raising Adequate Revenue**

The President proposes that we raise the income ceiling to collect more money even though this would increase benefits to the wealthy. I propose that Congress lower the OASI tax ceiling so as to lower benefits with less drastic bend points, move Survivors Insurance for non-retirees, Health/Affordable Care Act payroll taxes and Disability Insurance entirely to a Subtraction VAT or Credit Invoice VAT as described in Attachment One—Tax Reform. A floor is also added so that EITC payments are no longer necessary.

The S-VAT will pay for increasing the Child Tax Credit beyond what the President proposes, to be distributed with pay rather than at the end of the year, and the higher minimum wage will end the need to subsidize low wage employers at the public trough.

The most important points are that, rather than raising income caps on payroll taxes, all value added for an employer is taxed, both labor and profit and, because there is no way to separate out individual income contributions to the tax, each employee will be credited the same amount—which allows for higher benefits without bend points. Such taxes also have no ceilings, so the S-VAT rate can be lower than both current law and the proposed legislation.

In 1998, when I participated in on-line discussions on Social Security personal accounts, I brought up the necessity of doing this. This idea raised the hackles of the privatizers much more than their desire to take advantage of riskier investment strategies. **The best way to kill talk of private accounts is to introduce redis-**

**tribution on the front end and give organized labor proxies to vote worker shares.**

Finally, a word on Section 204 of Social Security 2100 regarding the Social Security Trust Fund. This is simply window dressing. The reality is that any trust fund balances must still be loaned to the Treasury and reimbursed with general income tax revenues or additional borrowing.

In our first submission to Congress in May of 2010, we addressed Trust Fund reimbursement issues. They are particularly applicable given the proposed funding increases in the subject legislation (which, if passed, would continue to have workers subsidize lower income tax rates for the few). They remain especially true today.

*When Social Security was saved in the early 1980s, payroll taxes were increased to build up a Trust Fund for the retirement of the Baby Boom generation. The building of this allowed the government to use these revenues to finance current operations, allowing the President and his allies in Congress to honor their commitment to preserving the last increment of his signature tax cut.*

*This trust fund is now coming due, so it is entirely appropriate to rely on increased income tax revenue to redeem them. It would be entirely inappropriate to renege on these promises by further extending the retirement age, cutting promised Medicare benefits or by enacting an across the board increase to the OASI payroll tax as a way to subsidize current spending or tax cuts.*

**Increasing Affordable Housing Supply to Reduce Housing Costs**

We disagree with the President's proposed subsidies. The best cure for housing affordability is higher income. The President's budget is on the right track regarding the Child Tax Credit. I would treble down on his amounts and distribute these funds through Old-Age, Survivors, Disability and Unemployment Insurance payouts or with wages.

Urban renewal, which relocates poor and largely non-white people, leads to redevelopment that chases the 90th percentile. The tax incentives in the President's budget are exactly the wrong approach. Instead, reform the entire tax system so that most families do not have to file income taxes. By most, I mean 99%.

**A Radical Change to Entitlement Spending**

This is a new idea that deserves mention, just to think about for the future. There are many proposals to maintain incomes as technology eats jobs (although ChatGPT is not the demon we thought it was). Among them are a social credit payment, Kelso and Adler's Two Factor theory and Len Burman's proposal for a Universal Earned Income Tax Credit. The last makes the second-tier economy permanent where now it is simply an ad hoc affair. It also does nothing for those with inadequate training.

Disability Insurance is hard to get and this dissuades getting off, regardless of programs such as the Ticket to Work. Making it easier to get some kind of benefit after normal unemployment without a disability filing and the associated lawsuit will encourage work and end reporting requirements to claim extra income. When income appears in the system above a certain level, give notice that benefits will stop—and an added bonus for doing so.

There is a large leaky bucket in social services at large and for disability insurance in particular, employing an army of social workers who would rather be doing client care than pushing paper and making determinations of whether the employer or employer was responsible for job loss and whether a family is entitled to benefits or not. There is another army of lawyers who fight disability claim denials and tax preparers (and revenue agents) that process earned income tax credit claims.

There is another army of tax avoidance professionals whose main product is tax minimization for upper middle class and wealthy families by selling retirement accounts and whole life policies (on commission).

There is yet another army fighting a losing battle against homelessness with public housing and hard to get subsidies, with another who capitalize on these programs by offering substandard housing.

These armies include taxpayers in their battle plans. We can redirect these efforts with a few simple changes.

Unemployment and disability insurance can be “no fault” and paid automatically with a few simple steps to minimize fraud (multiple collections). They also need to pay more, as does baseline Social Security (which 80 percent of retirees rely on as their soul income).

Children can be provided for without Food Stamps or EITC paperwork or a parent on disability, or by being diagnosed themselves.

The system can also end the exploitation of the “working poor” who, with remedial education can learn themselves out of poverty to the extent that they are able, and who require a low tier economy that provides cheap goods and convenience food. The thing that gets in the way is the opportunity cost of not working to go to school. Including taking ESL.

Long-term unemployment insurance is offered as an option. There should not be an end date and should equal what is paid for a full-time, minimum wage job. This rate can be set at the level paid to retirees, as this level of income is at about that level anyway.

A stipend at this level can also be paid to students who are old enough to work through college or technical training—with all such training and education provided free of charge, ending the need for student loans and other grants and the process for administering them.

A refundable child tax credit, paid with wages, stipends or benefits ends the need for the EITC, SNAP, TANF and disability and survivor payments funded through Social Security.

Unemployment benefits are intended as an incentive to keep staff, although avoiding them has resulted in a wasteful system of punitive human resource policies to fire people for cause. Giving employers a refundable offset mitigates these incentives and results in their referral to other payers, especially schools, who would take over plan administration (rather than having government do so).

The main question is always how to pay for high Social Security, disability and unemployment benefits? The most appropriate way to pay some of it is an employer-paid subtraction VAT or net business receipts tax at the federal and state levels, with offsets to fund education and stipends for current and potential employees, as well as their children and the children of current employees. Ideally, what is collected by the government and redistributed will be zero.

The other part of the funding is a goods and services (value added) tax to take over funding the employer contribution for Social Security, as well as long-term unemployment insurance.

The state-level S-VAT would fund education and related stipends and child credits (again, with offsets).

Individual employee FICA taxes will fund additional payments to retirees over and above long-term unemployment insurance levels.

Personal and corporate income taxes will be abolished for all but the top 1% as part of the deal. To replace capital gains taxes, an asset value-added tax will be levied for each transaction (explained elsewhere).

To avoid the abuse of keeping people on payroll who do nothing, refundable portions (paid by government) of offsets will be limited to S-VAT + GST collections.

To review the bidding, the list of government functions abolished in a radical reform include punitive (rather than no-fault) unemployment insurance, temporary assistance to needy families (and its replacement with real education), disability insurance, the complicated earned income tax credit, supplemental nutrition assistance, inheritance taxes, employer paid FICA and personal and corporate taxation, as well as the associated private sector costs, housing subsidies and the need to lobby for services for the poor.

Thank you for the opportunity to address the committee. We are, of course, available for direct testimony or to answer questions by members and staff.

#### **Attachment—Tax Reform, Center for Fiscal Equity, March 24, 2023**

**Synergy:** The President’s Budget for 2024 proposes a 25% minimum tax on high incomes. Because most high-income households make their money on capital gains, rather than salaries, an asset value-added tax replacing capital gains taxes (both long and short term) would be set to that rate. The top rate for a subtraction VAT surtax on high incomes (wages, dividends and interest paid) would be set to 25%, as would the top rate for income surtaxes paid by very high-income earners. Surtaxes collected by businesses would begin for any individual payee receiving \$75,000 from any source at a 6.25% rate and top out at 25% at all such income over \$375,000. At \$450,000, individuals would pay an additional 6.25% on the next

\$75,000 with brackets increasing until a top rate of 25% on income over \$750,000. This structure assures that no one games the system by changing how income is earned to lower their tax burden.

**Individual payroll taxes.** A floor of \$20,000 would be instituted for paying these taxes, with a ceiling of \$75,000. This lower ceiling reduces the amount of benefits received in retirement for higher-income individuals. The logic of the \$20,000 floor reflects full-time work at a \$10 per hour minimum wage offered by the Republican caucus in response to proposals for a \$15 wage. The majority needs to take the deal. Doing so in relation to a floor on contributions makes adopting the minimum wage germane in the Senate for purposes of Reconciliation. The rate would be set at 6.25%.

**Employer payroll taxes.** Unless taxes are diverted to a personal retirement account holding voting and preferred stock in the employer, the employer levy would be replaced by a goods and receipts tax of 6.25%. Every worker who meets a minimum hour threshold would be credited for having paid into the system, regardless of wage level. All employees would be credited on an equal dollar basis, rather than as a match to their individual payroll tax. The tax rate would be adjusted to assure adequacy of benefits for all program beneficiaries.

**High-income Surtaxes.** As above, taxes would be collected on all individual income taxes from salaries, income and dividends, which exclude business taxes filed separately, starting at \$400,00 per year. This tax will fund net interest on the debt (which will no longer be rolled over into new borrowing), redemption of the Social Security Trust Fund, strategic, sea and non-continental U.S. military deployments, veterans' health benefits as the result of battlefield injuries, including mental health and addiction and eventual debt reduction.

**Asset Value-Added Tax (A-VAT).** A replacement for capital gains taxes and the estate tax. It will apply to asset sales, exercised options, inherited and gifted assets and the profits from short sales. Tax payments for option exercises, IPOs, inherited, gifted and donated assets will be marked to market, with prior tax payments for that asset eliminated so that the seller gets no benefit from them. In this perspective, it is the owner's increase in value that is taxed. As with any sale of liquid or real assets, sales to a qualified broad-based Employee Stock Ownership Plan will be tax free. These taxes will fund the same spending items as high income and subtraction VAT surtaxes. There will be no requirement to hold assets for a year to use this rate. This also implies that this tax will be levied on all eligible transactions.

The 3.8% ACA-SM tax will be repealed as a separate tax, with health care funding coming through a subtraction value-added tax levied on all employment and other gross profit. The 25% rate is meant to be a permanent compromise, as above. Any changes to this rate would be used to adjust subtraction VAT surtax and high-income surtax rates accordingly. This rate would be negotiated on a world-wide basis to prevent venue seeking for stock trading.

**Subtraction Value-Added Tax (S-VAT).** Corporate income taxes and collection of business and farm income taxes will be replaced by this tax, which is an employer paid Net Business Receipts Tax. S-VAT is a vehicle for tax benefits, including:

- Health insurance or direct care, including veterans' health care for non-battlefield injuries and long-term care.
- Employer-paid educational costs in lieu of taxes are provided as either employee-directed contributions to the public or private unionized school of their choice or direct tuition payments for employee children or for workers (including ESL and remedial skills). Wages will be paid to students to meet opportunity costs.
- Most importantly, a refundable child tax credit at median income levels (with inflation adjustments) distributed with pay.

Subsistence-level benefits force the poor into servile labor. Wages and benefits must be high enough to provide justice and human dignity. This allows the ending of state administered subsidy programs and discourages abortions, and as such enactment must be scored as a must pass in voting rankings by pro-life organizations (and feminist organizations as well). To assure child subsidies are distributed, S-VAT will not be border-adjustable.

As above, S-VAT surtaxes are collected on all income distributed over \$75,000, with a beginning rate of 6.25%. replace income tax levies collected on the first surtaxes in the same range. Some will use corporations to avoid these taxes, but that cor-

poration would then pay all invoice and subtraction VAT payments (which would distribute tax benefits). Distributions from such corporations will be considered salary, not dividends.

**Credit Invoice Value-Added Tax (CI-VAT).** Border-adjustable taxes will appear on purchase invoices. The rate varies according to what is being financed. If Medicare for All does not contain offsets for employers who fund their own medical personnel or for personal retirement accounts, both of which would otherwise be funded by an S-VAT, then they would be funded by the I-VAT to take advantage of border adjustability.

CI-VAT forces everyone, from the working poor to the beneficiaries of inherited wealth, to pay taxes and share in the cost of government. As part of enactment, gross wages will be reduced to take into account the shift to S-VAT and CI-VAT, however net income will be increased by the same percentage as the CI-VAT. Inherited assets will be taxed under A-VAT when sold. Any inherited cash, or funds borrowed against the value of shares, will face the I-VAT when sold or the A-VAT if invested.

CI-VAT will fund domestic discretionary spending, equal dollar employer OASI contributions, and non-nuclear, non-deployed military spending, possibly on a regional basis. Regional CI-VAT would both require a constitutional amendment to change the requirement that all excises be national and to discourage unnecessary spending, especially when allocated for electoral reasons rather than program needs. The latter could also be funded by the asset VAT (decreasing the rate by from 19.25% to 13%).

**Carbon Added Tax (C-AT).** A Carbon tax with receipt visibility, which allows comparison shopping based on carbon content, even if it means a more expensive item with lower carbon is purchased. C-AT would also replace fuel taxes. It will fund transportation costs, including mass transit, and research into alternative fuels. This tax would not be border-adjustable unless it is in other nations, however in this case the imposition of this tax at the border will be noted, with the U.S. tax applied to the overseas base.

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STATEMENT SUBMITTED BY DANIEL L. HATCHER

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Thank you to the Chair and Members of the Committee for holding this hearing regarding the Social Security Administration's budget and practices. I submit this statement for the record regarding questions raised to the new Commissioner of the Social Security Administration (SSA), addressing harmful state agency practices of taking foster children's SSI and OASDI (survivor) benefits.

Across the country, child welfare agencies have been misusing SSA's representative payee program to take resources from vulnerable foster youth. Often with the assistance of private contractors, the agencies search for children who may be disabled or have deceased parents and therefore potentially eligible for SSI or survivor benefits. The agencies apply on the children's behalf and then take control of the funds by applying to become the children's representative payee. Then, although the agencies' core purpose is to serve and promote the welfare of children, the agencies divert the children's money to government revenue rather than using the funds for the children's individualized needs and best interests as intended. The agency rationale is to pay back the cost of foster care, but children have no legal obligation to pay for their own care. And all of this is usually done without telling the children or the children's legal advocates. Disabled children desperately needing more help are never told they have SSI benefits that the agencies are taking. Foster children traumatized by their parents' deaths are not told their parents were able to leave them survivor benefits, as the agencies take the funds—depriving the children of using their own money to help themselves and stripping the children of the invaluable emotional connection the benefits could have provided to their deceased parents.



For over 20 years, I have been engaged in research, scholarship, and advocacy regarding this and interrelated poverty issues.<sup>1</sup> I was encouraged to hear SSA's Commissioner, Martin O'Malley, respond to excellent questions from Senator Elizabeth Warren—indicating he wants SSA to better protect foster children's benefits. Similarly, in his testimony before the House's Joint Social Security and Work & Welfare Subcommittee Hearing held on March 21, 2024, Commissioner O'Malley indicated he wants SSA to use its existing powers to better protect foster children's benefits—so they actually help the children.

In support of Commissioner O'Malley's indicated efforts, I am attaching legal memorandums that I previously provided to leadership at SSA and the Administration for Children and Families—at their request—summarizing existing authority of both agencies to stop state agencies from taking foster children's SSA benefits. Again, thank you for your attention to these important matters.

### Memorandum in Support

**To:** Social Security Administration  
**From:** Daniel Hatcher, Professor of Law, University of Baltimore School of Law  
**Re:** POMS Clarification of Representative Payee Fiduciary Role  
**Date:** October 27, 2021

Thank you for the opportunity to discuss concerns regarding how state and county child welfare agencies are misusing foster children's Social Security benefits (including SSI and OASDI). During our meeting on October 21, 2021, SSA requested a memorandum in support of suggested clarification in POMS regarding representative payees' fiduciary role. The following provides the needed clarification and summarizes the legal framework necessitating the clarification.

#### Suggested Clarification:

Add the following or similar language to POMS GN 00602.001 (Use of Benefits): "When a child has been placed in foster care or other out-of-home care in the custody or care of a child welfare agency, the child's current maintenance needs are provided and paid for by the agency. Thus, the representative payee may not use the child's benefits to pay or reimburse the costs of care, and, consistent with the fiduciary role, the represented payee must conserve or invest benefits on behalf of the beneficiary (using available savings mechanisms that are exempt from relevant asset limits) or use the benefits for other existing and foreseeable needs that are not already provided by the child welfare agency."

#### Why Clarification is Necessary:

Under current practices, state foster care agencies seek out children who are disabled or have deceased parents, apply for Social Security SSI or OASDI benefits and apply to take control of the children's benefits as representative payee—all usually without notifying the children or their legal representatives. Then, once the agencies assume the fiduciary obligation as representative payee, the agencies use the children's benefits to reimburse themselves for agency costs that children have no legal obligation to reimburse (and that the state agencies are legally obligated to provide and pay for). Often, revenue maximization contractors help with the entire process.

The child welfare agencies' appropriation of children's SSI and OASDI benefits could not be a clearer violation of their fiduciary obligations. "There is no equitable principle more firmly established in our jurisprudence than that a fiduciary is under a duty of loyalty to his beneficiaries and cannot use the property of a beneficiary for his own purposes." *Gianakos, Ex'r v. Magiros*, 238 Md. 178, 185–86 (1965). The agencies incorrectly rationalize their breach of fiduciary obligation by claiming they can use foster children's SSI and OASDI benefits to reimburse "current maintenance" costs that the state agencies have paid for. As summarized below, the child welfare agencies are purposefully misinterpreting federal law.

<sup>1</sup>E.g., Daniel L. Hatcher, *Foster Children Paying for Foster Care* ([https://scholarworks.law.ubalt.edu/all\\_fac/283/](https://scholarworks.law.ubalt.edu/all_fac/283/)), 27 Cardozo L. Rev. 1797 (2006); *Purpose vs. Power: Parens Patriae and Agency Self-Interest* ([https://scholarworks.law.ubalt.edu/all\\_fac/285/](https://scholarworks.law.ubalt.edu/all_fac/285/)), 42 N. Mex. L. Rev. 159 (2012); *The Poverty Industry: The Exploitation of America's Most Vulnerable Citizens*, NYU Press (June 21, 2016); *Stop Foster Care Agencies from Taking Children's Resources* (<https://www.floridalawreview.com/article/89240-stop-foster-care-agencies-from-taking-children-s-resources/stats/all/pageviews>), 71 Florida Law Rev. Forum 104 (2019).

The Social Security Act requires representative payees to act as fiduciaries, to use SSI and OASDI funds for the beneficiary's "use and benefit" and in a manner that they determine is in the beneficiary's best interest. 42 U.S.C. § 405(j); 20 CFR § 404.2035(a) ("representative payee has a responsibility to [u]se the benefits received on your behalf only for your use and benefit in a manner and for the purposes he or she determines . . . to be in your best interests . . ."). This requirement is reiterated in the Social Security Administration's policy manual, the Program Operations Manual System ("POMS"). According to the POMS, a representative payee must exercise individualized discretion for each child beneficiary and apply the benefits "in the best interests of the beneficiary, according to his/her best judgment. . . ." (POMS GN 00602.001 (Use of Benefits)).

Within this framework, the payee/fiduciary can use the benefits to pay for current maintenance needs if those needs are not being provided for elsewhere. However, if current maintenance costs are already paid for, as in the circumstance of children in the custody of child welfare agencies, then the payee must either conserve the benefits or use the benefits for other foreseeable needs not already paid for by the agency. POMS GN 00602.001 (Use of Benefits) ("A payee must use benefits to provide for the beneficiary's current needs such as food, clothing, housing, medical care and personal comfort items, or for reasonably foreseeable needs. *If not needed for these purposes . . . the payee must conserve or invest benefits on behalf of the beneficiary . . .*") (emphasis added). See also, POMS GN 00602.001 (Payee Responsibilities and Duties) ("The representative payee responsibilities and duties are to: • *meet with the beneficiary on a regular basis to ascertain his or her current and foreseeable needs*; • *use funds in the beneficiary's best interest*; • *conserve benefits not needed for the beneficiary's current needs . . .*") (emphasis added).

The obligations of a representative payee are therefore clear. The payee is a fiduciary and must exercise individualized fiduciary discretion in determining how to use a beneficiary's OASDI funds. The over-arching principle governing the exercise of discretion is to serve the best interests of the beneficiary. And, because the beneficiary's best interest is paramount, the payee's self-interests cannot be considered. POMS GN 00602.001 (Use of Benefits) (directing Social Security Administration staff to ensure that "*the payee understands the fiduciary nature of the relationship, and that benefits belong to the beneficiary and are not the property of the payee.*") (emphasis added).

Foster children do not have a debt obligation to pay for their own care. Rather, state and federal law explicitly requires the state foster care agencies to pay the costs of foster care services. *E.g.*, Md. FL § 5-527(b)-(c) (requiring that the "Department shall pay for foster care" for all foster children). Like state laws, Title IV-E of the Social Security Act requires state child welfare agencies to provide and pay for the current maintenance costs of foster children. Title IV-E mandates that states "*shall make foster care maintenance payments on behalf of each child . . .*" 42 U.S.C. § 672(a)(1) (emphasis added). The foster care maintenance payments must include "payments to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance . . . and reasonable travel. . . ." 42 U.S.C. § 675(4)(A). Thus, Title IV E requires state agencies to pay for the current maintenance costs that the agencies are wrongly reimbursing with children's SSI and OASDI benefits.

Further, Title IV-E requires states to pay their share of the costs of care with state funds, and Title IV-E specifically prohibits states from using other federal funds (including SSI and OASDI benefits) to defray or replace the required state expenditures. 45 CFR § 75.306 explicitly prohibits state agencies from using money other than state funds to pay the cost of care. The regulation even specifically prohibits the use of other (non-IV-E) federal funds (which includes Social Security Benefits) for the state costs. See also, OFFICE OF INSPECTOR GEN., SOC. SEC. ADMIN., HAWAII DEPT. OF HUM. SERVICES—AN ORG. REP. PAYEE FOR THE SOC. SEC. ADMIN., A-09-08-28045 at 5 (2008) (citing then 45 CFR § 92.24) (concluding that a foster care agency "must pay its share of the foster care costs with State funds," that Federal regulations prohibit the agency "from using a child's OASDI benefits to reimburse itself for the State's share of Title IV-E costs . . .").

Such structure is consistent with court decisions holding that foster children, as the direct beneficiaries of this federal mandate, have privately enforceable rights to force states to pay the foster care maintenance payments on their behalf:

Each of the cited provisions similarly discusses how the state must distribute benefits to each child. . . . 42 U.S.C. § 672(a)(1) (requiring that "each State with a plan approved under this part shall make foster care

maintenance payments on behalf of each child”) (emphasis added). Plainly, these directives are both couched in mandatory terms and are unmistakably focused on the benefitted class, *i.e.*, foster children.

*Connor B. v. Patrick*, 771 F. Supp. 2d 142 (D. Mass. Jan. 4, 2011). *See also, e.g., C.H. v. Payne*, 683 F.Supp.2d 865 (S.D. Ind 2010)(same). Given this enforceable right of foster children to force state agencies to pay foster care maintenance payments on their behalf, the state agencies cannot possibly have a countervailing ability to force the children to reimburse those same payments. As even further support for this obvious conclusion, in its training manual for organizational representative payees, the SSA explains that “paying legal guardianship fees would not constitute proper use of benefits” if the “[g]uardianship costs and fees are included as part of a state’s support obligation to the beneficiary . . .” SOCIAL SECURITY ADMINISTRATION, TRAINING ORGANIZATIONAL REPRESENTATIVE PAYEES, Unit 6, available at <http://www.ssa.gov/payee/LessonPlan-2005-2.htm>.

In addition to misinterpreting federal law, child welfare agencies have also wrongly relied on the Supreme Court’s decision in *Washington State Dep’t of Social & Health Services v. Guardianship Estate of Keffeler*, 537 U.S. 371 (2003). (E. 67). In *Keffeler*, the Court’s sole holding is that a state agency did not violate the anti-attachment provision of the Social Security Act by applying children’s Social Security benefits to state foster care costs. The Court concluded the anti-attachment provision was not applicable, because the state agencies are not creditors to the children—because the children owe no debt for the cost of care. The Court noted that it was not addressing other legal concerns with the agency practices, including constitutional concerns and that the agency payees are acting inconsistently with their fiduciary obligations under § 405(j) of the Social Security Act. In fact, the Supreme Court explicitly indicated that such fiduciary concerns should be addressed by the SSA:

Respondents also go beyond the § 407(a) [anti-attachment provision] issue to argue that the department violates § 405(j) itself, by, for example, failing to exercise discretion in how it uses benefits, periodically “sweeping” beneficiaries’ accounts to pay for past care, and “double dipping” by using benefits to reimburse the State for costs previously recouped from other sources. These allegations, and respondents’ § 405(j) stand-alone arguments more generally, are far afield of the question on which we granted certiorari. . . . Accordingly, we decline to reach respondents’ § 405(j) arguments here, except insofar as they relate to the proper interpretation of § 407(a). *Respondents are free to press their stand-alone § 405(j) arguments before the Commissioner, who bears responsibility for overseeing representative payees, or elsewhere as appropriate.*

*Id.* at 390, n.12 (emphasis added).

Thus, current child welfare agency practices of taking children’s benefits to reimburse agency costs violates their fiduciary obligations and conflicts with the entire intended structure of the representative payee system. The practices necessitate clarification by the SSA in the POMS or elsewhere, that child welfare agencies acting as payees cannot use children’s benefits to reimburse themselves for the costs of care.

cc: Amy Harfeld, Jill Hunter-Williams

## Memorandum

**To:** Assistant Secretary January Contreras, US Dept. Of Health & Human Services, Administration of Children and Families; Associate Commissioner Aysha Schomburg, US Dept. Of Health & Human Services, Administration of Children and Families, Children’s Bureau.

**From:** Daniel Hatcher, Professor of Law, University of Baltimore School of Law, Civil Advocacy Clinic.

**Re:** ACF Oversight Authority and Suggested Guidance regarding Child Welfare Agencies’ Fiduciary Role and Protecting Foster Children’s Resources (including Social Security, VA benefits, and other resources).

**Date:** September 5, 2022

Thank you for the opportunity to meet on August 18, 2022, for the purpose of additional discussion regarding ACF's role in addressing ongoing concerns of how state child welfare agencies are misusing foster children's resources. For over 20 years, I have been engaging in research, scholarship, and advocacy regarding this and interrelated poverty issues—while simultaneously serving as an attorney and clinical law professor directly representing impoverished children and adults.

This memorandum is consistent and supportive of requested administrative actions in the document provided by Amy Harfeld dated August 10, 2022, which was in preparation for our meeting. As we discussed in the meeting, the core issue of those administrative requests is the urgent need for ACF guidance to indicate that child welfare agencies must protect foster children's resources rather than taking them. This memorandum therefore addresses that core issue, outlining ACF authority and providing suggested new guidance. Additional support may also be provided soon regarding the related administrative requests in Amy Harfeld's August 10, 2022 document.

This issue goes to the very heart of the purpose of state child welfare agencies—and the purpose of ACF—serving and protecting the best interests of children in need of care. In their current practices, child welfare agencies are abdicating this mission and directly harming children in their care by seeking out vulnerable foster youth and then taking their resources. Disabled children desperately needing more help are never told they have disability benefits that the agencies are taking. Foster children traumatized by their parents' deaths are not told their parents were able to leave them survivor benefits, as the agencies secretly take the funds—depriving the children of using their own money to help themselves and stripping the children of the invaluable emotional connection the benefits could have provided to their deceased parents. Further, the agencies in many states are also taking other resources from foster children, including VA benefits, cash assets, insurance, the children's own income, and more. For example, the Nebraska agency crafted a regulation so it can take virtually everything from foster children—even burial plots.<sup>1</sup>

Almost 1 year ago, during our last meeting on this issue on September 28, 2021, ACF asked for a summary of authority to exercise oversight over child welfare agencies regarding these issues. In response, I provided a memorandum dated October 4, 2021, explaining the authority. In our recent August 18, 2022 meeting, I was encouraged to hear Assistant Secretary Contreras indicate support for exercising oversight authority to appropriately address this harmful practice. In response to requests and discussion during the meeting, this updated memorandum provides suggested new guidance and further outlines ACF authority.

**ACF authority and duty to ensure that state child welfare agencies serve children's best interests.**

Throughout the numerous federal laws and regulations regarding state child welfare agencies, the paramount purpose is unwavering: protecting and serving the best interests of children in need of care. And ACF in turn is the federal agency created with the purpose and authority to monitor and ensure that the child welfare agencies adhere to that mission.

For example, 42 U.S.C. § 622 requires that “a State must have a plan for child welfare services which has been developed jointly by the Secretary and the State agency . . .” The requirements for state plans focus on serving the children's best interests. And one section of plan requirements, for which ACF is intended to provide guidance and oversight, requires that the plan must “include a description of the services and activities which the State will fund under the State program carried out pursuant to this subpart, and how the services and activities will achieve the purpose of this subpart.” The “purpose of this subpart” is provided in 42 U.S. Code § 621, and the very first listed purpose is **“protecting and promoting the welfare of all children.”** Similarly, in 45 CFR § 1355.25 (“Principles of child and family services”), ACF provides clear principles that must guide state child welfare agencies. Below are just a few of the principles, directly indicating child welfare agencies should only act in the best interests of children and families:

(a) The safety and well-being of children and of all family members is paramount . . . [redacted for space].

As listed above, one of the principles specifically requires the agencies to help youth in ways that improve their future self-sufficiency—but when the agencies take the

<sup>1</sup> Neb. Admin. Code, 479 NAC 2–001.08 [redacted for space].

children’s own resources, such actions directly conflict with these required principles.

Further, additional federal law set out in 42 U.S.C. § 675—again for which ACF is intended to provide oversight and guidance—requires child welfare agencies to develop individualized case plans for each child, again focused on serving the best interests of foster children and specifically requiring the agency to provide planning and services designed to help children in their future struggle for self-sufficiency: “services which will help such child prepare for the transition from foster care to a successful adulthood.” In fact, the entire Chafee Foster Care Program for Successful Transition to Adulthood is intended to serve children’s best interests in supporting their efforts for future self-sufficiency, but the child welfare agencies’ actions in taking the children’s resources directly undercuts the purpose of the program.

Further still, though guidance regarding permanency planning and child well-being dated January 5, 2021 (ACYF-CB-IM-21-01), ACF recognizes that “the best interests of the child is paramount” [redacted for space].

Moreover, federal agencies have stepped in repeatedly to curtail the racial disproportionality in the child welfare system. For example, a guidance letter was provided by the Department of Justice, Office of Civil Rights, and the Administration for Children and Families Compliance Section, indicating the importance “to ensure that child welfare agencies are aware of their responsibilities to protect the civil rights of children and families in the child welfare system.”

Thus, the paramount purpose of child welfare agencies to protect and serve children’s best interests—and not engage in actions that are harmful to the children—is clear. And ACF was created with clear authority and purpose to provide guidance and oversight to ensure that child welfare agency actions do not conflict with their core mission.

**ACF has authority and obligation to provide oversight to clarify that child welfare agencies must protect foster children’s resources rather than taking the resources to pay agency costs.**

Appropriately addressing child welfare agencies’ misuse of foster children’s resources falls directly within ACF’s authority and obligation to provide oversight and guidance to ensure the agencies serve children’s best interests. To begin, all child welfare protections built into the federal statutory framework apply to all children in foster care, whether IV-E eligible or not. As ACF explains in existing guidance, federal law “requires that all of the protections set forth therein be provided to all children in foster care.”<sup>2</sup> Then, 42 U.S. Code § 676 provides ACF with authority and obligation to provide guidance and oversight to ensure child welfare agencies adhere to their purpose, explaining HHS/ACF “may provide technical assistance to the States to assist them to develop the programs authorized under this part and *shall* periodically (1) evaluate the programs authorized under this part and part B of this subchapter . . .” (emphasis added).

Specifically addressing children’s resources, 42 U.S. Code § 672(a) sets out a structure where the agencies are required to provide and pay for “foster care maintenance payments.” Under the fundamental requirement, “[e]ach State with a plan approved under this part shall make foster care maintenance payments on behalf of each child who has been removed from the home of a relative . . .” (emphasis added). Foster care maintenance is defined in 42 U.S. Code § 675 as “payments to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child’s personal incidentals, liability insurance with respect to a child, reasonable travel to the child’s home for visitation, and reasonable travel for the child to remain in the school in which the child is enrolled at the time of placement . . .” As further evidence of this requirement, 42 U.S.C. § 622 indicates agency plans must “include a description of the services and activities *which the State will fund* under the State program . . . and how the services and activities will achieve the purpose of this subpart” (emphasis added). So, when child welfare agencies take resources from children to pay state foster care costs, the agencies are breaching their fiduciary role in conflict with federal law that requires the states to provide and pay for those costs—with state money, not by taking the children’s resources. Further, the agencies’ harmful practice does not even provide more revenue to the agencies, but rather supplants required state funding with the children’s funds.

<sup>2</sup> ACF Child Welfare Policy Manual, 8.3C, TITLE IV-E, Foster Care Maintenance Payments Program, State Plan/Procedural Requirements, Question 1.

Thus, the structure requires that states pay for the foster care maintenance for *all* foster children, and then the states can claim a federal match for children who are IV–E eligible (42 U.S. Code § 674). In fact, 45 CFR § 75.306 explicitly prohibits agencies from using money other than state funds to pay the cost of care. The regulation prohibits the use of other (non-IV–E) federal funds (including Social Security Benefits) for state costs. And the regulation also requires that the funds used to pay the state share must be consistent with the program objectives. If an agency takes children’s resources for state costs, such actions are directly contrary to the agency’s core objectives of serving children’s best interests, including agency services that are supposed to aid the children in their future transition to self-sufficiency after leaving care (45 CFR § 75.306 (3) & (5)). Further, the regulation also requires that the funding states use for state costs must be “provided for in the approved budget when required by the HHS awarding agency.”

Thus, ACF has authority to provide direction/clarification that state agencies must protect children’s resources (including but not limited to Social Security) in a way that serves the children’s best interests.

**The authority of the Social Security Administration regarding representative payees does not restrict the authority of ACF to ensure child welfare agencies act in children’s best interests and in compliance with federal law governing child welfare.**

SSA’s authority to provide guidance regarding representative payees does not restrict the authority and obligation of ACF to provide oversight and guidance ensuring that child welfare agencies act in children’s best interests and in compliance with federal law governing child welfare [redacted for space].

I previously provided another memorandum dated October 27, 2021 to SSA leadership in response to their request after a meeting on October 21, 2021. That memo provided analysis of how SSA can also issue clarified guidance specific to representative payees [redacted for space].

#### **Recommended guidance**

ACF’s Child Welfare Policy Manual provides interpretations and directives to agencies in all child welfare related issues. For example, in 8.4D question 2, ACF provides a directive regarding “How should the decision to apply for SSI or title IV–E benefits be made?” ACF explains that agencies must decide between seeking SSI or IV–E based on the child’s best interests: “Information regarding the benefits available under each program should be made available by the title IV–E agency so that an informed choice can be made in the child’s best interest.”

To provide policy guidance consistent with federal law and the mission of ACF and child welfare agencies, ACF should consider the following additions and clarifications to the manual:

1. [redacted for space].
2. Additional guidance in response to 8.4D, question 2. The suggested language is in bold in the excerpted answer below. The reason for this necessary language is to clarify that child welfare agencies must not use foster children’s Social Security benefits or other children’s resources to pay or reimburse the state share of foster care costs.

*Question 2. How should the decision to apply for SSI or title IV–E benefits be made?*

Answer

The difference between title XVI (SSI) and title IV–E should be considered carefully by the decision maker when choosing whether to apply for either or both title IV–E or SSI benefits on behalf of the child. Information regarding the benefits available under each program should be made available by the title IV–E agency so that an informed choice can be made in the child’s best interest. To achieve this goal, title IV–E agencies should exchange information regarding eligibility requirements and benefits with local Social Security district offices and establish formal procedures to refer clients and their representatives to the local Social Security district office for consultation and/or application when appropriate.

**To comply with their role of serving children’s best interests, title IV–E agencies must not use a child’s SSI or other resources to pay or reimburse foster care maintenance costs (as defined in 42 U.S. Code § 675) or state foster care costs.**

3. Additional guidance in 8.1F TITLE IV–E, Administrative Functions/Costs, Match Requirements. The following new question and answer provided in bold below is necessary to clarify that child welfare agencies must not use foster children’s Social Security benefits or other children’s resources to pay or reimburse the state share of foster care costs.

**Question 6. May children’s resources be used to pay the state share of foster care costs?**

**Answer**

**No. Consistent with cost sharing requirements in 45 CFR § 75.306 and children’s best interests, a child’s resources (including Social Security Benefits, VA benefits, cash assets, trust accounts, insurance, inherited resources, the child’s own income, or any other resource or asset belonging to the child) may not be used by the IV–E agency to pay or reimburse foster care maintenance costs (as defined in 42 U.S. Code § 675) or state foster care costs, whether or not a child is eligible for title IV–E.**

[redacted for space].

Again, I sincerely thank you for your leadership at ACF, for the opportunity to meet, and for your indicated desire to address this important issue. Also, as we discussed in the meeting, I applaud ACF’s recent improved guidance regarding child support enforcement in child welfare cases—which is a perfect complement to the suggested guidance in this memorandum. I am more than willing to talk further if helpful and can provide additional resources upon request.<sup>3</sup>

cc: Amy Harfeld, Jill Hunter-Williams, Ian Marx

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### Statement of Max Richtman, President and CEO

On behalf of the millions of members and supporters of the National Committee to Preserve Social Security and Medicare, I am pleased to submit this testimony for the record in support of robust funding for the Social Security Administration in Fiscal Year 2025. Members of the National Committee come from all walks of life and every political persuasion. What unites them is their passion for protecting and strengthening Social Security, Medicare, Medicaid, and the other programs that are so vitally important to older Americans.

The fiscal year (FY) 2025 budget recommendations submitted by President Biden to Congress on March 11, 2024, affirm his commitment to America’s seniors in major ways. The budget provides funding to improve customer service for Social Security beneficiaries as the Social Security Administration (SSA) continues to grapple with service delivery challenges. And the President supports legislation that extends the solvency of the Medicare Part A Hospital Insurance trust fund, broadens the number of prescription drugs subject to price negotiation and expands Medicaid home and community-based services (HCBS). With 10,000 baby boomers turning 65 every day—and the number of seniors projected to double by 2050—it’s clear that this budget is mindful of the need to safeguard our older Americans now and into the future.

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<sup>3</sup>Some of my past scholarship addresses more details of this and related issues. *E.g.*, Daniel L. Hatcher, *Foster Children Paying for Foster Care* ([https://scholarworks.law.ubalt.edu/all\\_fac/283/](https://scholarworks.law.ubalt.edu/all_fac/283/)), 27 Cardozo L. Rev. 1797 (2006); *Collateral Children: Consequence and Illegality at the Intersection of Foster Care and Child Support* ([https://scholarworks.law.ubalt.edu/all\\_fac/288/](https://scholarworks.law.ubalt.edu/all_fac/288/)), 74 Brooklyn L. Rev. 1333 (2009); *Purpose vs. Power: Parens Patriae and Agency Self-Interest* ([https://scholarworks.law.ubalt.edu/all\\_fac/285/](https://scholarworks.law.ubalt.edu/all_fac/285/)), 42 N. Mex. L. Rev. 159 (2012); *The Poverty Industry: The Exploitation of America’s Most Vulnerable Citizens*, NYU Press (June 21, 2016); Book Chapter, *States Diverting Funds from the Poor* ([https://scholarworks.law.ubalt.edu/all\\_fac/1100/](https://scholarworks.law.ubalt.edu/all_fac/1100/)), in *Holes in the Safety Net: Federalism and Poverty* (Ezra Rosser, ed., Cambridge University Press 2019); *Stop Foster Care Agencies from Taking Children’s Resources* (<https://www.floridalawreview.com/article/89240-stop-foster-care-agencies-from-taking-children-s-resources/stats/all/pageviews>), 71 Florida Law Rev. Forum 104 (2019).

Social Security represents the foundation of income security for the American people. Without a solid foundation, other programs designed to protect workers and their families from the ravages of death, disability and old age simply will not be able to adequately fulfill their missions. The activities of the Social Security Administration (SSA) are at the heart of the administration of the Social Security program. Adequate funding for SSA is vitally important to millions of Americans across the country who either are receiving Social Security or expect to do so in the future, both to ensure that they receive the benefits they have earned and to maintain the public's support for this essential program.

Unlike most other agencies, the Social Security Administration's operations are not funded by general tax revenues but through Social Security's Trust Funds. As a result, although the money used to fund the agency is technically "on budget" for budget scoring purposes, SSA's operations are actually paid for by American workers and their employers when they make their payroll tax contributions. Rather than appropriating funds from the general Treasury, Congress limits the amount the agency can spend annually from the Trust Funds through the appropriations process. The long history of Agency underfunding is therefore especially frustrating when one considers that contributions from American workers have built up an almost \$2.8 trillion surplus in the Trust Fund accounts, in addition to over \$1 trillion received in Federal Insurance Contributions Act (FICA) contributions each year.

In 2025, SSA anticipates delivering about \$1.6 trillion in direct payments to beneficiaries, at a remarkably low administrative cost of about 1 percent. The President proposes \$15.402 billion for SSA's FY 2025 appropriation for administrative expenses. This is an increase of \$1.3 billion—9 percent—over the level enacted for the 2023 Fiscal Year.

At the time this testimony was written, Congress had not enacted a permanent appropriations' bill for SSA for FY 2024. During Congressional consideration of the FY 2024 Continuing Resolution, the Administration requested a \$727 million anomaly for FY 2024, which would have brought SSA to an annualized funding level of \$14.854 billion. The anomaly level of funding would have helped prevent further service deterioration by maintaining staffing levels, increasing processing capacity through overtime, and funding critical information technology enhancements.

Unfortunately, this anomaly request was not provided by Congress. As a result, since October 1, 2023, SSA has been operating on essentially flat funding, which if made permanent, would have a severely detrimental effect on service and would halt the progress SSA made to begin improving service in FY 2023. Level funding has not covered the over \$600 million increase in SSA's annual fixed costs such as salaries and rent on more than 1,500 field and hearing offices across the country. SSA was forced to freeze hiring during the extended Continuing Resolution, which has caused the agency's staffing levels to fall back to where they were in April 2023. SSA also significantly reduced overtime levels in FY 2024 compared to FY 2023, limiting one of the agency's most important tools for increasing processing capacity and supporting offices.

If SSA is forced to continue the hiring freeze and overtime limits throughout FY 2024, the agency anticipates it will lose over 4,500 full-time permanent staff this fiscal year, resulting in SSA's lowest staffing since 1972 (55,000 staff), including about 750 fewer employees in National 800 Number call centers and about 2,100 fewer employees in field offices across the country. This loss of staff will negatively impact call wait times, disability timelines, and other key performance metrics and be felt by the people SSA serves.

SSA has approximately 500 million interactions with the public each year through field office visits, call centers, and other engagements. While they have exceptional employees dedicated to serving millions of people, SSA is serving 50 percent more customers with less staff than they had in 1995. Since FY 2010, Social Security's customer service budget has declined in inflation-adjusted terms by 17 percent and its staffing by 16 percent, while at the same time the number of SSA's beneficiaries has grown by 22 percent.

The long history of disinvestment in the agency's core public services must be reversed if the American public is to receive the services they have already paid for through their monthly payroll contributions. The solution to this growing problem is for Congress to embark on a multi-year effort to restore adequate funding levels for SSA's operating budget, beginning with, at a minimum, providing the full level of funding requested by the President for FY 2025. If the President's budget request is approved by Congress, SSA intends to continue ongoing efforts to re-build its



workforce, thus allowing SSA to process increasing numbers of disability claims, reduce wait times on the national toll-free number and begin to address the pending backlogs. This funding request represents a solid first step toward what will need to be a multi-year effort to rebuild the agency's ability to provide the customer service America's workers and retirees deserve and expect.

We support the Administration's proposal to provide additional funding to improve the level of service provided by SSA's toll-free telephone service which has suffered a decline in service delivery due to misguided underfunding. Perversely, over the years SSA's national toll-free telephone service staff has declined substantially, even as call volume grew. The results, predictably, were more busy signals, more hang-ups, longer wait times and fewer calls handled. The President's budget provides additional resources that should enable SSA to significantly improve its telephone service, with a projected reduction in wait times on SSA's 800 Number by over 20 minutes to 12 minutes. We thank the Administration for proposing to strengthen the adequacy of this vital service which must be available as a critical lifeline for those who have difficulty visiting a field office in person due to age or disability.

Providing adequate funding is also essential to resume the process of eliminating the backlogs that have developed in both the Disability Determination Services and the Offices of Hearings Operations and is clearly necessary to expedite the processing of the current backlog. Relative to level staffing, a hiring freeze and loss of 4,500 staff in 2024 would add an estimated 20 more days and 175,000 more cases in the disability backlog. The President's FY 2025 Budget request is projected to reduce initial disability claims wait times to an average of 215 days, and reduce the claims backlog by 15 percent.

While the National Committee applauds the Administration's budget proposal, we feel compelled to point out the request is well below the \$16.45 billion request submitted by the SSA to the Office of Management and Budget. We firmly believe the agency itself is better positioned to anticipate the funding it will need to provide the level of service the American people deserve from SSA than the Office of Management and Budget. We therefore hope Congress will provide the full requested level of \$16.45 billion when formulating its own appropriations legislation for FY 2025. This is especially true considering the seriously insufficient funding we anticipate the agency will receive for FY 2024. Fully funding the agency's original request will represent a major step toward restoring SSA's ability to fulfill its mission.

Lastly, we applaud the President's commitment to improve and strengthen Social Security, and his support for raising the payroll tax cap for those earning over \$400,000 annually. The President has made clear his commitment to ensuring the wealthy pay their fair share throughout his FY 2025 budget and we hope Congress will support his efforts. However, we note the absence of any specific Social Security legislative proposals in the President's FY 2025 budget. To address this omission, we urge the Congress to consider the Social Security 2100 Act, introduced as H.R. 4583 in the House by Representative John Larson (D-CT) and in the Senate as S. 2280 by Senator Richard Blumenthal (D-CT), and the Social Security Expansion Act, S. 393 (H.R. 1046 in the House), legislation developed by Senator Bernie Sanders (I-VT) and Representative Jan Schakowsky (D-IL). These bills make important, long overdue improvements to the Social Security program, as well as strengthening the program's finances. We look forward to working with the Administration in enacting this important legislation.

Social Security, a critical lifeline for millions of Americans, must not be allowed to wither on the vine. Congress must provide adequate funding for this foundation of support for workers and their families. Accordingly, we strongly urge Congress to provide, at minimum, the President's budget request of \$15.402 billion for FY 2025.

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#### SOCIAL SECURITY ADMINISTRATION

#### Statement of Inspector General Gail S. Ennis

##### Introduction

Chairman Wyden, Ranking Member Crapo, and Members of the Committee on Finance, the Social Security Administration (SSA) faces numerous challenges, and the Office of the Inspector General (OIG) is committed to addressing those challenges through diligence and innovation to protect and preserve SSA's vital programs for the American people. It is critical for the committee to understand these challenges and how the President's Budget for Fiscal Year (FY) 2025 will address them.

The mission of SSA OIG is to serve the public through independent oversight of SSA's programs and operations. SSA OIG accomplishes that mission by conducting independent and objective audits, investigations, and reviews. Our oversight work significantly impacts the integrity, effectiveness, and efficiency of SSA's programs and operations.

While SSA focuses on administering programs and operations, SSA OIG searches for and reports systemic weaknesses in SSA's programs and operations and provides recommendations for program, operations, and management improvements. SSA OIG has consistently delivered valuable oversight information to SSA, the U.S. Congress, other stakeholders, and the public.

SSA OIG has identified and is responding to new and emerging challenges and threats, including pervasive imposter scams, challenges and fraud schemes caused by the Coronavirus (COVID-19) pandemic, and the rise of the latest threats and opportunities associated with cybersecurity and artificial intelligence (AI). In FY 2025, SSA OIG will address these issues timely using our available resources, all while continuing to meet our core mission.

#### **President's Budget for Fiscal Year 2025**

The President's FY 2025 Budget for SSA OIG requests \$121.3 million in direct appropriations, which includes \$2 million to remain available until expended for information technology (IT) modernization efforts. In addition, the budget requests that SSA transfer \$19.6 million to SSA OIG for the direct costs of leading the jointly operated anti-fraud Cooperative Disability Investigations (CDI) program. These increases would help offset rising fixed costs; however, we continue to make tradeoff decisions with our resources to address emerging challenges.

The President's budget request will allow SSA OIG to perform its core mission of auditing and investigating SSA programs and operations. Further, the requested funding will allow us to take innovative steps forward by building our data analytics capacity, increasing data-driven decision-making, investing in IT and automation tools, and strengthening and building our workforce. These improvements will lead to a more nimble and responsive organization.

The Committee on Finance should be aware SSA OIG received our first increase in base funding in FY 2022 after receiving no increases since FY 2016. The recent increases by the U.S. Congress have maintained SSA OIG's ability meet our core responsibilities.

In FY 2023, our auditors identified \$1.9 billion in questioned costs and \$565 million in funds that could be put to better use at SSA. In FY 2023, our investigators contributed to investigations that generated \$179 million in monetary accomplishments through court-ordered restitution and recoveries, as well as projected future savings for SSA. Most importantly, our Return on Investment was 21-to-1 for the last several FYs, generating \$21 in savings for every dollar the U.S. Congress provides SSA OIG.

#### **Audit**

As the Committee on Finance knows, SSA's workforce consists of approximately 60,000 people, with over 1,500 offices nationwide and worldwide. These employees serve millions of customers annually.

Over the last several FYs SSA OIG has moved away from the historical practice in the Office of Audit (OA), which required each auditor to complete one annual audit. Audits were scoped accordingly. After examining this method and reviewing previous audits, SSA OIG concluded the status quo approach aimed to fix errors rather than get to the root cause of issues identified by our auditors. SSA OIG decided to change that approach.

OA leadership determined SSA OIG needed to produce larger and more complex audits to address the root cause of the issues facing SSA. Rather than having auditors work on individual audits, we restructured the process into audit teams to allow dedicated resources for each audit. The revised audits engage with the Agency and focus on actual results. Leadership recognized the team approach would reduce the number of audits per year but was confident it would increase the quality and impact of our work. This approach was correct. For several FYs, while we adapted to this new approach, our auditors produced fewer but also more complex audits. And, today, OA has increased its productivity while producing more impactful audits, issuing 43 comprehensive audit reports in FY 2023 that identified \$1.9 billion in questioned costs and \$565 million in funds that could have been put to better use.

OA continues working on impactful audits during FY 2024. As of January 2024, OA has 15 reports in process related to improving the prevention, detection, and recovery of improper payments.

#### **Audits Addressing Vulnerable Populations**

Since October 1, 2020, OA has completed seven audits identifying underpayments, potential underpayments, or untimely payments of funds due or benefits to vulnerable populations, such as child beneficiaries, widows, Supplemental Security Income recipients, surviving spouses, and beneficiaries whose medical condition was not expected to improve. Potential underpayments identified in these reports totaled almost \$640 million.

OA has additional ongoing work that focuses on services provided to vulnerable populations. Specifically, we have work in progress to determine whether SSA implemented planned actions to reduce barriers to accessing its services. We are also looking at whether SSA follows policies and procedures to identify and expedite initial disability applications that qualify as priority cases, such as Quick Disability Determination, Compassionate Allowance, Terminal Illness, Military Casualty/Wounded Warrior/100% Permanent & Total Disability, Homeless, Presumptive Disability/Blindness, and Hardship cases, among others.

Some individuals cannot manage or direct the management of their finances because of their age and/or mental and/or physical condition. The U.S. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' payments. A representative payee can be an individual or an organization. In September 2023, we reported that SSA did not take appropriate and timely action in response to alleged individual and organizational representative payees' misuse of benefits and made six recommendations to SSA. We continue to review issues impacting these vulnerable populations through in-progress work looking at the effectiveness of SSA controls and procedures for monitoring representative payees.

#### **Cooperative Disability Investigation Program**

SSA OIG has innovated processes to maximize our impact by expanding and realigning the CDI program to provide more coverage at a lower cost.

Presently, SSA OIG has 50 CDI units across the country, and we provide an SSA OIG investigator to run these anti-fraud units. CDI units, consisting of personnel from SSA, SSA OIG, state disability determination agencies, and state or local law enforcement, investigate disability fraud in SSA programs. SSA OIG worked with SSA to provide nationwide CDI coverage by October 2022, as the Bipartisan Budget Act of 2015 intended.

In areas where we could not secure a local law enforcement partner, such as New Hampshire, Vermont, and Maine, SSA OIG and SSA collaborated on two approaches to provide CDI coverage and increase investigative capacity. First, we created CDI Hubs by consolidating SSA OIG and SSA personnel to cover multiple states. In instances when a local law enforcement partner is not present, the SSA OIG team leader covers that workload until a law enforcement partner can be secured. Second, SSA OIG harnessed the skill sets and institutional knowledge of reemployed annuitants to serve as CDI investigators. For example, the South New England Hub, which covers Connecticut and Rhode Island, has a reemployed annuitant serving as an investigator to help provide CDI coverage for Connecticut. A total of four hub models operate across the country to ensure CDI coverage.

In FY 2023, CDI efforts contributed over \$75 million in projected savings and recoveries for Social Security programs and approximately \$94 million for other Federal and state programs. Since the program's inception, CDI efforts have contributed to projected savings of over \$8 billion.

The President's Budget provides \$19.6 million for the CDI program. In previous FYs, SSA OIG has had to assign existing investigative personnel to the CDI program, at the expense of other non-CDI investigative work. SSA's appropriations language provides the authority for SSA to transfer a portion of its Limitation on Administrative Expenses funding to SSA OIG to cover the costs associated with operating the CDI program.

While the additional CDI funding to date has supported a higher overall Full Time Employee (FTE) count for our office, our count of FTEs dedicated to our primary mission is still lower than in FY 2015. This is due to increased fixed costs, such as statutory employee pay raises. The FY 2025 budget request provides additional

flexibility within SSA OIG's base appropriation and allows us to restore historical staffing levels for critical non-CDI hires.

Finally, with the FY 2025 Budget, SSA OIG will continue to conduct complex and large-scale investigations, develop and leverage partnerships and collaborations to accomplish investigative priorities to permit more effective investigative efforts.

#### **IT Modernization**

The \$2 million set-aside for IT Modernization is critical in SSA OIG's efforts to modernizing administrative applications with business process management solutions. This account provides for the continued enhancement of SSA OIG's critical administrative systems, and the integration of internal applications with SSA systems, which will enhance data sharing capabilities with external partners. This includes SSA's Allegation Referral Intake System and SSA OIG's Case Management System. Further, the account will provide for modernizing cybersecurity functions and enhancing SSA OIG's cybersecurity posture in response to evolving cybersecurity mandates and vulnerability remediation. Further, it will increase staffing to fill software development, project management, and systems security needs.

Some of the modernization projects SSA OIG is undertaking will facilitate increased/enhanced use of analytics capability. SSA OIG established the Business Intelligence and Analytics Division within our Office of Information Technology in FY 2021. This division is undertaking several initiatives to maximize the available resources—both human and technical—to enhance its data maturation for SSA OIG. This division possesses analytical skills in the initial phases of data analytics and has supported SSA OIG investigative and audit efforts by expediting data analyses that used to take months to complete manually. Finally, in FY 2023, SSA OIG established an AI Task Force to conduct a critical study and review on how AI will assist the work of the Office of Audit and the Office of Investigations, but also to look at the challenges posed with more sophisticated AI-generated scams.

#### **Examining and Leveraging AI**

Public and private sector entities will continue to explore using AI technology as a tool to improve operations. As AI advances, governmental agencies, including SSA, will seek to leverage this emerging technology. While the use of AI has the potential to improve customer service and create efficiencies, AI could also be used to create and exploit synthetic identities to direct millions of dollars away from deserving SSA beneficiaries and recipients, similar to pandemic and imposter schemes.

In FY 2023, SSA OIG established an internal AI task force comprised of investigators, auditors, IT specialists, and lawyers to confront these issues. In FY 2025, SSA OIG's oversight responsibilities will increase significantly in this area to help identify and minimize vulnerabilities in agency systems, security, and programs. Significant investments will be required in hardware, software, and training to ensure SSA OIG personnel have the appropriate tradecraft to investigate AI-enabled criminal activity, protect vulnerable persons, and provide Federal and state prosecutors with the forensic data needed to successfully prosecute fraud against SSA.

In recent years, SSA OIG identified best practices and lessons learned from analytical and investigative work done combatting pandemic- and imposter-related fraud. These will serve as the foundation for developing additional tools and investigative techniques.

#### **Coronavirus (COVID-19) Pandemic Fraud**

One of the issues that has been of interest to the United States Congress is combating Coronavirus (COVID-19) pandemic fraud. SSA OIG's Office of Investigations has played a critical role in Federal investigations related to the misuse of Federal pandemic relief funds. Using stolen identities and Social Security numbers was critical to pandemic relief-related fraud. The misuse of SSNs and identity theft in furtherance of fraud schemes related to Coronavirus Aid, Relief, and Economic Security Act programs, including the Paycheck Protection Program, Pandemic Unemployment Assistance, and Economic Injury and Disaster Loans, is no exception.

Addressing pandemic fraud required SSA OIG to shift workloads within our base appropriations. In FY 2023, SSA OIG contributed to 100 investigations related to COVID-19 pandemic relief programs, funds, and scams. Further, SSA OIG participates on the National COVID-19 Fraud Enforcement Task Force led by the U.S. Deputy Attorney General, and as many as 21 pandemic-related task forces and workgroups across the country. In FY 2024, SSA OIG anticipates expending \$1.1 million on pandemic-related investigative workloads and audits. Further, SSA OIG has not received supplemental funding to address pandemic fraud. Federal agencies

that administered pandemic relief programs did receive these types of additional funding.

### **Social Security Scams**

SSA OIG has established a multidisciplinary team of professionals who develop and implement innovative approaches to combat Social Security-related and other government imposter scams through investigations, enforcement actions, and public outreach and education. SSA OIG's multipronged approach has helped significantly disrupt these scams. Our efforts have resulted in multiple arrests and convictions and eliminated many scam calls to potential victims.

Further, although SSA OIG has achieved remarkable results in the drop of SSA imposter scam-related complaints, according to the Federal Trade Commission (FTC), SSA imposter scams are still the number one government-related imposter scam and, with a recent increase in complaints, continue to be a challenge requiring the devotion of significant SSA OIG resources. Earlier this month, SSA OIG and SSA combined efforts on our fifth annual National Slam the Scam Day. The United States Senate passed a resolution supporting National Slam the Scam Day, sponsored by Senators Susan Collins and Mark Kelly, with original cosponsors Senators Mike Braun, Richard Blumenthal, Kyrsten Sinema, Marco Rubio, and Rick Scott.

SSA OIG remains engaged and committed to maintaining institutional knowledge to investigate these scams by working with Federal, state, and local partners, as well as consumer advocacy groups, to protect people from becoming victims. In FY 2024, SSA OIG expects to dedicate an estimated \$3 million to combatting imposter scams, including funding for human capital resources and allegations management. In FY 2025, SSA OIG will continue to commit staff to analyze imposter scam allegations, develop investigative leads, and deploy effective investigative strategies to combat these fraud schemes. The FY 2025 Budget will allow SSA OIG to better anticipate, recognize, and efficiently mitigate new and emerging fraud schemes, including those related to pandemic relief and government imposter scams.

SSA OIG plans to work year-round on scam education. In addition, SSA OIG will continue to track scam allegations submitted to SSA OIG, issue scam alerts, and increase its social media presence by posting new scam tactics and anti-fraud reminders. In FY 2025, SSA OIG will deploy advanced data analytics and generative AI tools to expeditiously identify and flag clusters of the most egregious cases of fraud for immediate investigation.

### **Conclusion**

Chairman Wyden and Ranking Member Crapo, thank you for the opportunity to submit a written statement on the President's Budget for FY 2025. I believe it is essential for the Committee on Finance to understand the breadth of issues SSA OIG will be focusing on in FY 2025. The dedicated employees of SSA OIG work each day to ensure the integrity of SSA programs and the funding provided by the U.S. Congress ensures the integrity of these programs.

