



Statement of Social Security Works¹
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HEARING ON POLICY OPTIONS FOR IMPROVING SSI

Senate Finance Committee
Subcommittee on Social Security, Pensions, and Family Policy

September 21, 2021

Chairman Brown, Ranking Member Young, and Members of the Subcommittee:

Social Security Works is a nonprofit organization committed to protecting and improving the economic security of disadvantaged and at-risk populations. We submit this statement on behalf of our over 2.2 million supporters, Social Security's current and future beneficiaries, and the current and future recipients of Supplemental Security Income ("SSI").

We applaud Chairman Brown and this Subcommittee for shining a spotlight on SSI, an essential but long neglected companion program to Social Security. SSI not only provides a crucial lifeline to those it serves all across the nation; it simultaneously benefits the local businesses in which those Americans reside and spend their limited incomes. The following chart lists the number of SSI recipients and their combined benefits in August 2021 in the states represented by the members of this Subcommittee:

State	<u>Total Federal Monthly Payments</u>	<u>Number of SSI Recipients</u>
Colorado	\$ 42,467,000	70,881
Indiana	\$ 79,411,000	125,630
Louisiana	\$101,027,000	166,615

¹ Parts of this statement are drawn from [a statement](#) ("The Pressing Need to Update, Expand and Simplify SSI") by Social Security Works's President, Nancy Altman, who wrote it as a member of the Social Security Advisory Board for inclusion in the Social Security Administration's 2020 Annual Report of the Supplemental Security Income Program.

Nebraska	\$ 17,185,000	28,979
New Hampshire	\$ 10,209,000	17,657
Ohio	\$187,358,000	301,213
Oklahoma	\$ 58,279,000	95,346
Oregon	\$ 53,378,000	86,373
Pennsylvania	\$211,501,000	338,618

As important as SSI is, it is in urgent need of updating, expanding and simplifying. Its benefits are inadequately low, its eligibility rules are outdated and fundamentally flawed, and its requirements to maintain benefits are punitive and intrusive. By updating, expanding, and reforming SSI, this Congress has an historic opportunity to not only drastically reduce poverty among seniors and people with disabilities, but also improve their dignity and quality of life.

Ending Poverty Among Seniors and People with Disabilities

In creating SSI, Congress recognized that as effective and important as Social Security is in fighting poverty, that is a byproduct of its mission to provide insurance against the loss of wages in the event of old age, disability, and death. To eradicate the poverty experienced by seniors and people with disabilities, Congress understood that there needed to be a companion program with anti-poverty as its focus. In its [1972 Report](#) accompanying the legislation creating SSI, this Committee described that anti-poverty goal:

“Building on the present social security program, [the Social Security Amendments of 1972] would create a new Federal program administered by the Social Security Administration, designed to provide a positive assurance that the Nation's aged, blind, and disabled people would **no longer have to subsist on below-poverty-level incomes.**” (Emphasis added.)

Unfortunately, this vital program, created a half century ago, needs improvement to achieve that anti-poverty goal. Disturbingly, the Census Bureau [reports](#) that 5 million people aged 65 or older and approximately [one in four](#) people with a disability have incomes below the federal poverty line.

Poverty among seniors and people with disabilities [persists](#) despite SSI, for a number of reasons. First, SSI's benefits are too low. The maximum monthly payment amount for an individual

receiving SSI in 2021 is \$794 or \$9,528 for the year. That is just three-quarters of the federal poverty guideline, which, [in 2021](#), is \$1,073.34 a month (\$12,880 a year) for an individual.²

Moreover, the federal poverty line substantially underestimates what is needed to subsist.³ The Gerontology Institute at the University of Massachusetts has developed an annual Elder Economic Security Standard Index, which is a more refined measure, designed to determine the income needed to meet bare necessities, with the amount differing based on where individuals or couples reside, whether they rent or own their homes, and what, in broad terms, is the status of their health. According to that refined measure, an older individual in good health who rents in Washington, D.C. needed [income of \\$2,812 a month](#) in 2020 to be able to afford housing, food, and the other costs associated with the barest of necessities.⁴ That is just 28 percent of SSI's very inadequate federal maximum benefit.

Importantly, as low as SSI benefits are in relation to what is needed to meet basic needs, recipients must have virtually no resources or other income even to receive those minimal benefits. Those extremely stringent income and resource limits are in desperate need of updating. They have not been updated in many decades, some since [before the program was signed into law](#) a half century ago!

Congress [has explained](#) that it allows SSI recipients to have some resources in recognition of the need to meet unexpected expenses that could not be covered by current income. The allowable resources are much too restricted, however, to satisfy Congress's intent that they cover [the cost of emergencies](#). An individual's savings are limited to just \$2,000 and a married couple's to just \$3,000.

Those modest amounts are a cliff: Even one dollar more than those limits means failure to qualify. Once benefits are being paid, one dollar over the resource limit on the first day of any month causes recipients to lose eligibility until their resources again meet those extremely strict limits. Congress increased the limits just once, in 1984, and the amount of the increase was minimal; Congress has not adjusted the limits at all in more than three decades. Consequently, the resource limits have eroded substantially in value.

² The U.S. Census Bureau calculates annual poverty levels, which are labeled thresholds. The guidelines are a simplified version of the thresholds and, as stated in the text, is \$12,880 for an individual in 2021. Unlike the guidelines, the thresholds differentiate between those younger than age 65 and those age 65 or older. At the time of this writing, the 2021 thresholds have not yet been released. [For 2020](#), when SSI's maximum benefit was \$783 (\$9,396 on an annualized basis), the poverty threshold for those under age 65 was \$13,465 and for those age 65 or older, \$12,413.

³ Among its many shortcomings, the federal poverty guidelines and thresholds do not take into account expenditures other than food.

⁴ The expenses that are included are housing, food, transportation, health costs, and miscellaneous. If the amount specified as needed for health care is deducted for comparison purposes, because SSI recipients qualify for Medicaid, the monthly amount is still \$2,311, three times what SSI provides as a maximum federal benefit.

Like the resource limits, SSI's income limits are also extremely stringent. The first \$20 of income in a month is disregarded. After that, so-called unearned income, including pensions, Social Security benefits, and interest on those meager savings, reduces SSI benefits dollar for dollar. With respect to earned income, the first \$65 in a month is disregarded, as well as whatever amount of the \$20 disregard remains unused after its application against unearned income. After those small exemptions, every single dollar of earnings reduces SSI benefits by 50 cents.

SSI essentially penalizes savings. The resource limit prohibits savings above the exempt amount. Exceeding the limit results not just in the loss of SSI cash benefits but also can result in the loss of Medicaid eligibility, housing assistance, and other benefits. Consequently, prudent recipients have to avoid getting close to the line. Moreover, the effective 100 percent tax on unearned income above \$20 is a further discouragement of savings. Recipients gain no additional income from the interest on the savings, despite forgoing current consumption, and will even cause their benefits to be reduced dollar for dollar after the disregard has been exhausted. Worse, if recipients are not meticulously careful, the interest could cause them accidentally to exceed the resource limits, inadvertently triggering a loss of Medicaid and other assistance.

While not confiscatory like the marginal tax on unearned income, the marginal tax rate of 50 percent on earned income is high, particularly when compared to the federal income tax rates of those at the top of the income scale. In that regard, it is instructive to note that policymakers have argued that increasing the marginal tax rate of those with incomes of over \$250,000 to just 36 percent would be a serious work disincentive. Because of the very low incomes of SSI recipients, the 50 percent rate is unlikely to discourage work, but it does reduce substantially the gain from any work they are able to engage in.

Moreover, SSI is in need of other reforms. As currently structured, SSI [penalizes marriage](#). As just one of the many ways it penalizes marriage, married couples are allowed to receive maximum benefits that together total just 75 percent of what a non-married couple receives. Not only are the provisions that penalize marriage discriminatory against those who are married, they require the Social Security Administration ("SSA") to expend scarce resources to determine whether couples that are not legally married under state law nevertheless are subject to the marriage penalty because they are presenting themselves to the community as married.

In addition to penalizing marriage, SSI, as currently structured, discourages friends, neighbors, and family from assisting those on SSI. Under current law, groceries and other assistance that recipients receive from their families and friends count as in-kind income. SSI recipients who receive groceries and other assistance must report that fact to the government. By reducing benefits to offset this support, the so-called income support and maintenance ("ISM") provisions implicitly discourage this help.

Moreover, to enforce the ISM provisions, SSA must make detailed and intrusive inquiries into the lives of recipients, who may be required to describe in great detail how their households function and to furnish documentation. Landlords, housemates, and family members may be interrogated, as well. Once the information is collected, the in-kind transfers must be converted to dollar amounts, requiring an extremely complicated set of calculations. Then, benefits are adjusted, another complicated task.

As a matter of morality, implicitly discouraging families and friends from helping those who are less fortunate, as these provisions do, is wrong. As a policy matter, the ISM provisions are extremely time-consuming to administer and frequently result in improper payments.

The ISM provisions are just one example of the many aspects of SSI that must be repealed to make SSI more efficient and cost effective, as well as more even-handed and uniform in its coverage and administration. Fundamentally, the change will also make the program more humane. Other provisions that should be repealed for the same reasons include dedicated accounts and the penalty on assets deemed to be transferred for less than fair market value.

All of these improvements, in addition to making SSI less burdensome and more humane for recipients, will simplify and streamline its administration. That will dramatically reduce administrative costs, as well as the time spent by hard working civil servants. SSI accounts for just five percent of the benefits SSA administers; Social Security accounts for 95 percent. There are more than eight and a half times more Social Security beneficiaries than there are SSI recipients. Nevertheless, SSA spends almost as much to administer SSI as it does to administer Social Security. In fiscal year 2022, the agency is [appropriately seeking](#) authority from Congress to spend \$6.24 billion to administer Social Security and eighty percent of that amount -- \$4.97 billion -- to administer SSI.

Repealing the various complicated rules will save administrative costs which can be used to offset some of the cost of increasing benefits and updating the income and asset limits. In addition, Congress should correct the arbitrary, discriminatory coverage of SSI. Currently, SSI benefits are available to those residing in one of the fifty states, the District of Columbia, and the Northern Mariana Islands, but not to Americans residing in Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa. SSI should be available to Americans in those territories, as well. In addition, Congress should extend coverage to otherwise qualifying immigrants, refugees, and asylum seekers.

The Build Back Better Reconciliation Legislation Should Include SSI Improvements

President Joe Biden ran on a [platform](#) of updating and improving SSI. He proposed the following improvements, the rationale for which is explained above:

- Increase the maximum federal SSI benefit to “at least 100% of the federal poverty level”;
- Increase the assets limits and automatically index them so that they don’t erode;
- Update the income disregards and automatically index them so that they don’t erode;
- Repeal the in-kind maintenance and support provisions (“ISM”), which penalizes acts of charity; and
- Repeal the various marriage penalties.

These improvements are all contained in [Chairman Brown’s SSI Restoration Act of 2021](#), co-sponsored by [40 percent of Senate](#) Democrats and enthusiastically endorsed by numerous organizations including Social Security Works. In addition, the legislation has other important improvements that will simplify administration, including those described above.

There is overwhelming support for the SSI updates in Congress. There are [19 cosponsors](#) of Senator Brown’s SSI Restoration Act in the Senate and [48 cosponsors](#) of Representative Grijalva’s companion legislation in the House of Representatives. Moreover, polling [reveals](#) that there is overwhelming support among the American people. The overwhelming support is bipartisan, with even large percentages of Republicans strongly supporting improvements identified in polling as those President Biden champions.

Social Security Works urges, in the strongest possible terms, Congress to include these reforms in the Build Back Better reconciliation package. Cost concerns, for the most part, are not an issue with respect to the SSI improvements. Most of the improvements contained in the SSI Restoration Act [cost](#) less than \$100 million a year – essentially a rounding error in the physical and human infrastructure packages. Indeed, many of those reforms cost just half that amount --- \$50 million a year or less.

The four that are more expensive are still relatively inexpensive in the context of such comprehensive, historic legislation. Three of the four most expensive proposals cost just \$800 million, \$3.1 billion, \$6 billion a year, respectively. The most expensive – increasing the maximum federal SSI benefit to the poverty line – costs only \$35 billion a year. That is a small price to pay for finally accomplishing the goal set out by this Committee a half century ago: **“that the Nation’s aged, blind, and disabled people...no longer have to subsist on below-poverty-level incomes.”**

Congress should also pass the [Supplemental Security Income Equality Act](#) which extends SSI to those residing in the U.S. Virgin Islands, Guam and Puerto Rico. Though the issue is currently before the Supreme Court with respect to Puerto Rico, Congress should not wait. Enacting the legislation provides immediate certainty and avoids further expensive, time-consuming litigation.

As an overarching matter, these reforms should be done in the name of racial justice. People of color who have been discriminated against disproportionately benefit from SSI. Increasing its benefits, reducing the penalties on saving, work, and marriage, along with the other important reforms, in addition to all the other reasons for enactment, should be done as a matter of racial equity.

All of these important improvements should be enacted together with the other crucial changes being considered, reforms that will greatly improve the lives of seniors, those with disabilities, and, indirectly, their families and loved ones, so disproportionately hurt by the current pandemic. Those reforms include expanding Medicare, lowering prescription drug prices, investing in Home and Community-Based Services, and enacting paid family and medical leave. These policies all work together and will provide a foundation of economic security for millions of families across America.

These, together with the other important improvements contained in the reconciliation bill, will allow today's policymakers to say, as President Franklin Roosevelt [said](#) when he signed Social Security into law:

“If the Senate and the House of Representatives in this long and arduous session had done nothing more than pass this Bill, the session would be regarded as historic for all time.”