

SUPPLEMENTAL SECURITY INCOME (SSI): YESTERDAY, TODAY AND TOMORROW

Why Supplemental Security Income (SSI)?

Before 1972, there were three means-tested poverty programs for the aged, blind, and disabled—Old Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled. This state-operated, federally assisted system of welfare programs, comprising over 1,300 individual administrative jurisdictions across the states, was often criticized for its widely differing eligibility requirements and payment levels.

The Supplemental Security Income (SSI) program was a response to that criticism. Enacted in 1972, SSI established a more equitable and adequate system of income assistance for the aged, blind, and disabled through a federally unified program. The program was designed so that the federal government provided a basic benefit to all recipients. Each state could increase that amount with supplemental benefits responsive to the needs of its own residents.

Since 1974, when benefits began, SSI has grown and evolved. What follows is a description of the program from 1974 through 1999—its administration, its financing, its recipient population, benefit levels and distribution, and a brief review of the Social Security actuaries' long-term SSI projections.

Administering SSI

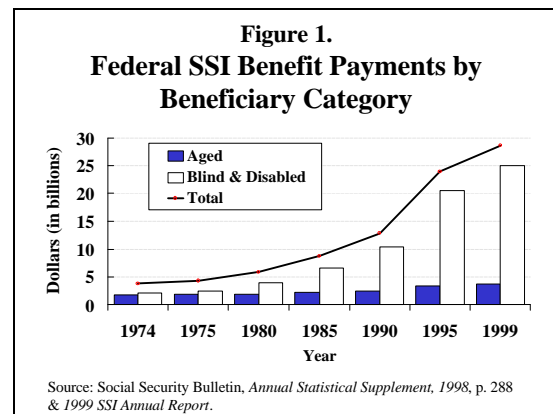
When Congress deliberated in the early 1970s about who should administer its newly designed federal welfare program, SSI, it turned to the Social Security Administration (SSA). By adding SSI to SSA's administrative structure, Congress assured that the SSI program could take advantage of a structure the agency already had in place—a nationwide network of offices and a mechanism for paying monthly benefits to large numbers of people. Since 1974, SSI has been administered by SSA. However, it remains administratively and financially separate and distinct from Social Security.¹

Financing SSI

Management of the SSI program by SSA has led to the misperception that Social Security trust fund dollars are used to pay SSI benefits. Federal SSI benefits are paid from federal general revenues. SSI state supplements are paid from state revenues. SSI has never been financed from the Social Security trust funds.

Total SSI federal benefit payments have increased significantly over time. The first year total was just over \$3.8 billion—\$1.7 billion for the aged, and \$2.1 billion for the blind and disabled. (See Figure 1.)

For 1999, total federal SSI payments totaled \$28.6 billion, nearly seven times the program's first year amount. Payments in 1999 were \$3.7 billion for the aged, \$25 billion for the blind and disabled.

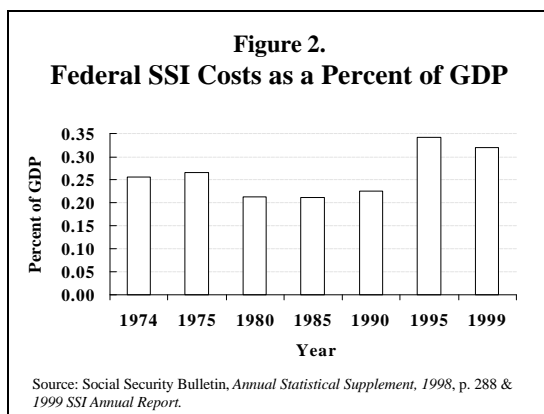


The increase in total benefit dollars from 1974 through 1999 shows notable program growth. These expenditures viewed in isolation, however, exaggerate their magnitude by not adjusting for the growth of the economy over the same period.

A more meaningful comparison of budget data over a long time period calculates annual SSI outlays as a percentage of Gross Domestic Product (GDP). The actuaries observe in the *1998 SSI Annual Report*, “In addition to providing an inflation-independent measure of the cost of the SSI program, the GDP comparison provides a useful perspective on the proportion of the total output of the US economy needed to provide federal SSI benefits.”

In 1974, SSI represented 0.26 percent of GDP. By 1999 that share had increased to 0.32. Clearly, SSI costs grew over the 25 years from 1974-1999. However, the economy grew as well and was able to absorb a portion of the growth in costs of SSI. (See [Figure 2](#).)

The actuaries project in the *1999 SSI Annual Report* that SSI’s cost as a percent of GDP will decline gradually to 0.26 percent in 2023.

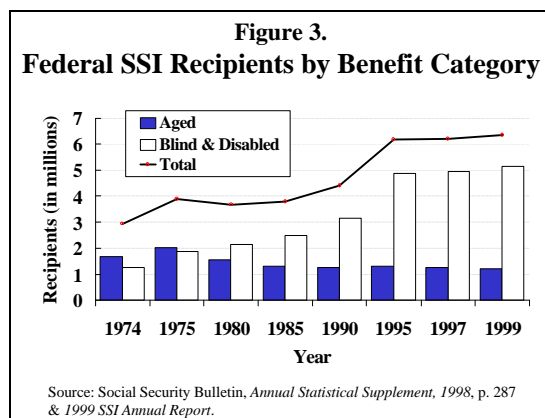


SSI Recipient Population: 1974-1999

Size and Distribution. The federal SSI recipient population² has increased by 50 percent since 1974—from almost 4 million in 1974 to over 6 million in 1999.

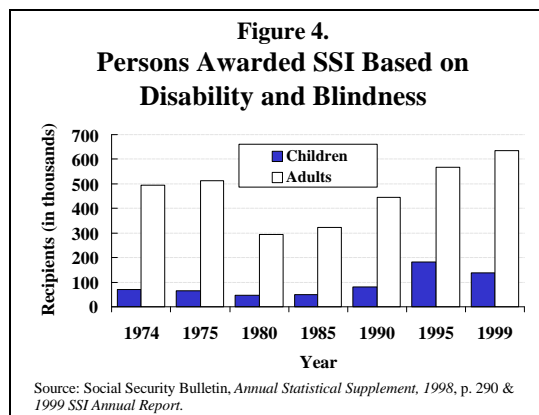
Not only did the population grow, its composition changed. In the early years of the program, the aged comprised more than half (58 percent) of recipients, while the disabled and blind represented less than half (42 percent). By 1999, a notable reversal in the

proportion of aged and disabled and blind recipients had taken place—only 19 percent were aged, while the number of disabled and blind had almost doubled to 81 percent. (See [Figure 3](#).) Automatic cost-of-living adjustments applied to Social Security benefits beginning in 1974 were at least partially responsible for the



significant decrease in the number of older persons falling into poverty, which in turn resulted in the lack of growth in the SSI aged population.

Disability Recipients. The number of disability awards to those under age 18 increased dramatically and remained



disproportionately high in the six-year period from 1991-1996, due primarily to the 1990 Supreme Court decision *Zebley vs. Sullivan*³. (See [Figure 4](#).)

Zebley vs. Sullivan changed the SSI regulations for assessing eligibility,⁴ and the number of children awarded federally

administered SSI, based on a disability, grew from 49,000 and in 1974 to a peak of 226,000 in 1993. The corresponding numbers of awards to adults with disabilities were 362 million in 1974 and 576 million in 1993.

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 (Public Law 104-193) reduced the SSI child population by establishing a more stringent definition of disability and requiring a review of all current beneficiaries who might be affected by the new rules. Of the approximately 1 million children receiving SSI disability benefits in 1996, some 264,000 were reviewed and about 100,000 were found ineligible. In 1997 only 116,000 children were awarded benefits.

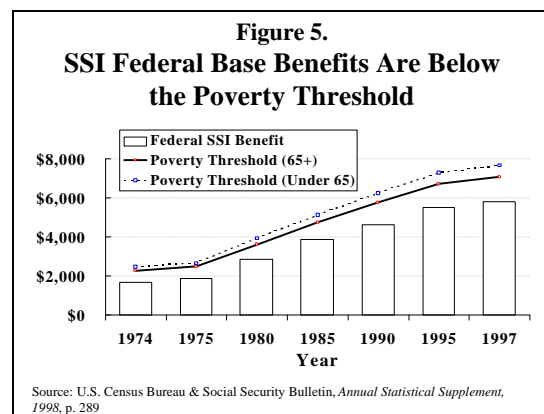
The impact of the PRWORA on children was eased somewhat by legislation⁵ enacted in 1997. However, the actuaries' 25-year projections show that awards to children will not come close to the numbers reached in the early 1990s. Awards are estimated to grow slowly from 135,000 in 1998 to 141,000 in 2023.

SSI Benefit Levels: 1974-1997

The U.S. Senate Finance Committee Report that accompanied the legislation in 1972 described SSI as "...designed to provide a positive assurance that the nation's aged, blind and disabled people would no longer have to subsist on below-poverty incomes." The architects of the program assumed that SSI recipients would also receive benefits from other programs such as Social Security and Food Stamps. Moreover, they assumed that individual states would provide supplements that, together with the base SSI benefit, would bring the total benefit package up to the poverty threshold.⁶ Consequently, the SSI federal base benefit has, at no time in its history, brought recipients up to that threshold.

In 1974, the annual federal benefit was approximately 67% of the poverty threshold for those individuals age 16-64 and 73% of the threshold for those individuals age 65 and over. In 1997, the federal SSI benefit equaled 72

percent of poverty for those under age 65. For those age 65 and over, the SSI benefit was equal to 78 percent of poverty. (See Figure 5.)

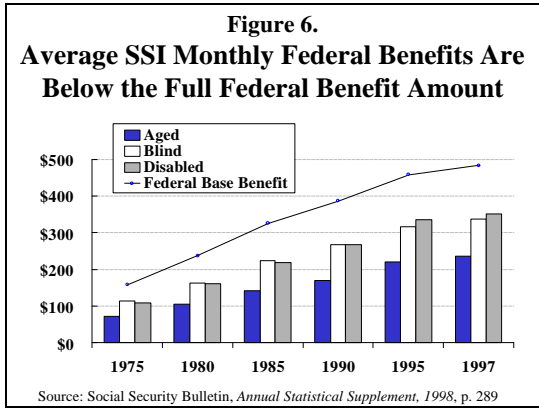


While SSI benefit levels are often compared with the poverty threshold, SSI benefit adjustments are not calculated based upon the poverty measure. SSI benefits are adjusted every January based on the annual increase in the Consumer Price Index (CPI). These adjustments are made at the same time and at the same percentage as the Social Security cost-of-living adjustments.

The maximum monthly federal SSI benefit in January 1974 for an individual was \$140. Beginning in January 1999, the maximum monthly benefit for an individual was \$500.

The average SSI benefit amount in 1974 was \$88.01. By 1997 the average amount was \$327.53. When broken out by category, the aged have consistently had the lowest average benefit, followed by the blind. The disabled, on the other hand, have consistently had the highest average benefit amount. (See Figure 6.)

Almost two out of three aged SSI recipients are also Social Security beneficiaries, and one out of five has a small amount of additional income. These other income sources, including Social Security, offset, on a dollar-for-dollar basis, the federal SSI benefit.⁷ Thus, many SSI recipients do not receive the maximum federal SSI benefit amount.



The Future of SSI

Prior to 1996, estimates of SSI program expenditures were prepared in conjunction with the president's annual budget submission and thus were short-term. The PRWORA changed that by requiring the Commissioner of SSA to report annually to the President and the Congress about the long-term (25 years) status of SSI.⁸

The 1999 SSI Annual Report provided actuarial projections of program participation and costs for the next 25 years:⁹

- Growth in the SSI rolls, slowed by legislation enacted in 1996, is expected to resume primarily due to the growth in the U.S. population.
- The federal SSI recipient population will be close to 7.3 million individuals by 2023 (about 2.2 percent of the population).
- Growth in federal SSI program outlays over the next 25 years is projected to remain relatively modest—roughly tracking overall growth in the U.S. population. Expressed in constant 1999 dollars, the cost of the program is projected to increase to \$34.1 billion in 2023 from the 1999 level of \$28.6 billion.
- When taken as a portion of the Gross Domestic Product, federal SSI expenditures are projected to decline over time, from the current level of 0.32 percent of GDP in 1999 to 0.26 percent of GDP by 2023.

The SSI program has undergone significant changes as a result of population growth,

legislation, and court decisions. The fact remains that SSI provides the most vulnerable aged, blind, and disabled people with the cash to buy basic necessities of food, clothing, and shelter.

¹ To assure that SSI was not confused with the Social Security programs (Old Age, Survivors, and Disability Insurance, known as OASDI), Congress stipulated that SSI and OASDI be kept distinct and identifiable as separate entities within the agency.

² This number includes all persons receiving a federal SSI payment, whether a federal payment only or both a federal payment and a state supplement.

³ *Zebley v. Sullivan*, 493 U.S. 521 (1990).

⁴ The Court held that the government, since 1980, was violating the law by paying SSI benefits only to poor children who met specific medical criteria like deafness and severe retardation. The Court found that children with other disabilities such as Down syndrome, AIDS, and chronic illnesses were being unfairly excluded because SSA was not properly assessing their disabilities.

⁵ For example, P.L. 104-193 changed the rules for reviews of low birth weight babies.

⁶ The poverty threshold is calculated and used by the Bureau of the Census to prepare its statistical estimates of the number of persons and families in poverty. The Census calculation is different from the poverty guidelines used by the Department of Health and Human Services. The guidelines are used primarily as an administrative tool, i.e., to determine whether a person is eligible for public assistance, whereas the thresholds are used as a statistical tool. The guidelines do not distinguish between those over age 65 and those under. The Census thresholds have separate figures for those over age 65 and those under.

⁷ For example, an individual who qualifies for the \$500 federal SSI benefit in 1999 and also receives a \$300 Social Security retirement benefit will only receive \$200 in SSI benefits to bring the total benefit amount to \$500.

⁸ *The SSI Annual Report* is separate from *The Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds*. The 1999 report was the 59th for OASDI. The 1999 report was the third for SSI.

⁹ These projections assume no change in law.

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