

## **SOCIAL SECURITY ADVISORY BOARD**

### **STATEMENT ON THE SUPPLEMENTAL SECURITY INCOME PROGRAM**

Public Law 104-193 requires that members of the Social Security Advisory Board be given an opportunity, either individually or jointly, to include their views in the Social Security Administration's annual report to the President and Congress on the Supplemental Security Income (SSI) program. We have asked the Social Security Administration to include in this year's annual report the following statement of our views on the resource limit in the Supplemental Security Income program.<sup>1</sup>

Supplemental Security Income (SSI) is a federal public assistance program for low-income people who are age 65 or older, blind, or disabled. The program provides assistance based on need, and it defines need in terms of income and resources. The definition of need draws a line that combined with age, blindness or disability, determines who is and who is not eligible for income assistance from the SSI program. Where that line should be drawn is a public policy question that must be answered by the American people's representatives in Congress. The answer to that policy question, however, should be based to the extent possible on an empirical base. In this issue brief, we will provide a brief overview of the SSI resource limit, and consider the empirical questions that need to be answered in order to make a sound assessment of whether the rules that govern the resource limit policy are meeting the purpose Congress intended.

#### What are resources and how are they counted?

The 1972 federal law that established the SSI program included a resource limit as an eligibility factor for SSI benefits. Resources include any of the following owned by an SSI applicant or beneficiary or a spouse: cash, liquid assets, and real or personal property that can be converted to cash to obtain food and shelter.<sup>2</sup> Some resources are counted toward the limit and others are not. Examples of such non-countable (or in SSI terms, excluded) resources are an individual's principal place of residence; one vehicle, if the beneficiary or a member of the household uses it for transportation; household goods and personal effects; and burial spaces.<sup>3</sup> Resource limits are

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<sup>1</sup> Board member Mark J. Warshawsky declined to sign this statement because he feels that the discussion therein is insufficient to understand the impact on the generosity of the program of the PESS accounts and the many allowable exemptions from the resources limits which have either increased in value (e.g. homes) or been added to the rules over the years.

<sup>2</sup> The SSI program distinguishes between the terms "assets" and "resources." The dollar value of the resource limit is set by statute. Regulation defines resources as "cash or other liquid assets or any real or personal property that an individual (or spouse, if any) owns and could convert to cash to be used for his or her support and maintenance." (20 CFR 416.1201) We will use the term resources when this program-specific definition applies. When discussing other programs or broader questions of saving, we will use the term assets.

<sup>3</sup> 20 CFR 416.1210 and following.

useful to ensure that public dollars go only to those who really need them. If income alone was used as a marker of need, then it would be possible for individuals and couples to receive SSI benefits as long as their income was below a certain level, regardless of the amount of their savings or other resources.

The SSI program replaced a system of federal financial assistance to state programs that provided aid to the aged, blind, and permanently and totally disabled. Those state systems had asset limits, but there was no uniformity across programs. For example, one state required applicants to use all their liquid assets before becoming eligible; another allowed a cash reserve equal to one month's cost of living. Six had limits of \$300 to \$350 in cash reserves. Twenty-five states required an applicant to give the welfare department a lien against his or her house or a claim against his or her estate.<sup>4</sup>

The federalization of the former state programs established a needs-based program that had standardized eligibility rules and provided a uniform level of income support no matter where an individual lived throughout the nation. The new program also established national eligibility criteria for resources. Individuals had to have less than \$1,500 in countable resources, and couples had to have less than \$2,250. Those amounts were increased gradually between 1985 and 1989 to \$2,000 for an individual and \$3,000 for a couple and have not changed since 1989. Applicants whose resources exceeded the limit, by any amount, are generally not eligible for benefits at all.<sup>5</sup>

In some cases, other people's resources can affect the eligibility of a claimant or a beneficiary through a process known as deeming. The term deeming means considering another person's resources to be available for meeting a claimant or beneficiary's needs. This happens most often with children and spouses:<sup>6</sup>

- If a child is living in a household with a parent or parents who are not receiving SSI, the countable resources of the parents in excess of \$2,000 for one parent or \$3,000 for two parents are deemed available to the child. For example, if a child is living with one parent who has countable resources of \$4,500, the child would be over the resource limit (\$2,000 countable for the parent, \$2,000 countable for the child).
- If an aged, blind, or disabled individual is living with a spouse who is ineligible for SSI, the resources of the spouse are considered in the determination of eligibility. An

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<sup>4</sup> Vincent J. Burke and Vee Burke, *Nixon's Good Deed: Welfare Reform*, New York: Columbia University Press, 1974

<sup>5</sup> An exception can occur when an applicant receives conditional benefits based on an agreement with SSA to dispose of excess resources. 20 CFR 416.1240 and following

<sup>6</sup> The deeming rules and the exceptions to the rules are in 20 CFR 416.1202. Deeming also applies from sponsors to aliens (20 CFR 416.1204) and in certain cases in which an individual receiving benefits under one of the state programs replaced by SSI had his payments increased because of another person in the household (20 CFR 416.1203).

individual is considered eligible only if his countable resources, together with the spouse's countable resources, do not exceed the resource limit for a couple. For example, if an applicant is 65 years old and his spouse is not yet 65 and is not blind or disabled, the combined resources of both spouses would have to be under \$3,000 in order for the applicant to be eligible.

There are about one million SSI child beneficiaries living with parents and about 300 thousand SSI beneficiaries living with ineligible spouses.<sup>7</sup>

Once they are on the rolls, beneficiaries whose resources exceed the limit on the first day of any month after they begin receiving payments will likely also lose their eligibility for payments until their resources are again brought down below the resource limit.

As discussed previously in this Statement, Congress has established some exceptions to the limits placed on owning resources.<sup>8</sup> In addition, Congress created three provisions that allow recipients to accumulate resources over \$2,000 so they can become more self-sufficient and less reliant on federal assistance. These are:

- SSI applicants are allowed to retain *Property Essential for Self Support* that generates income, which is then counted in determining the appropriate amount of the monthly SSI check. An example would be a self-employed person's business account or equipment; or a rancher's acreage in addition to a homestead, which is rented out to others for grazing land.
- SSI recipients (and applicants) may set aside otherwise countable income and/or resources to be used to reach a specific vocational goal under a *Plan for Achieving Self-Support* (PASS). At the end of a PASS plan, when the goal has been achieved, it is expected that the recipient will have a reduced reliance on federal benefits.
- Low-income individuals and families, including SSI recipients, are able to save for education, purchasing a home, or starting a business by establishing an *Individual Development Account* (IDA). State variations may expand what an IDA can purchase. IDA savings are matched by other government funds, and are specifically not counted by the various means-tested programs because the intent is to assist low-income individuals and families to build assets.

### Are current resource rules fulfilling Congressional intent?

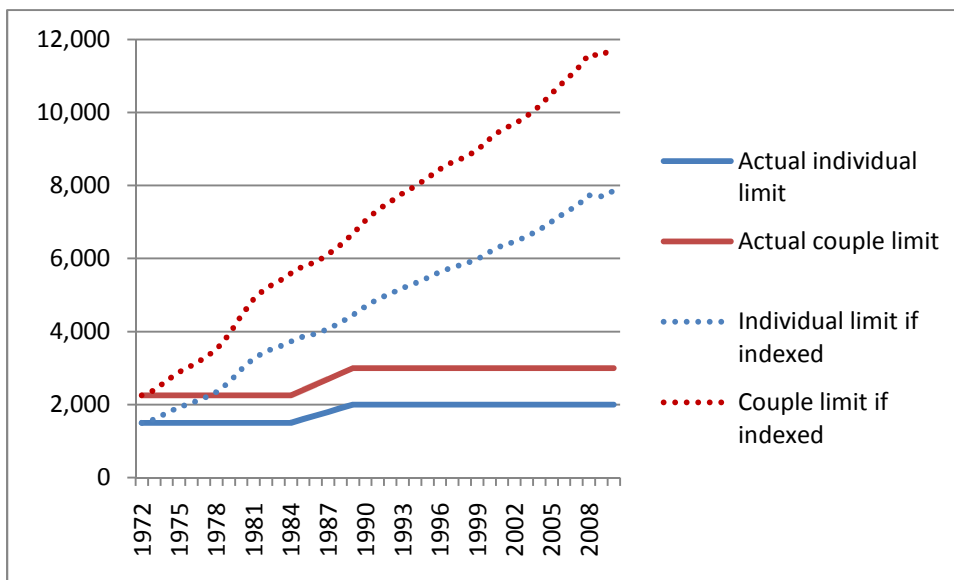
The conference report on the 1984 legislation that raised the resource limit stated that a major purpose of allowing SSI recipients to have a certain amount of resources was to help them cover

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<sup>7</sup> SSA, *SSI Annual Statistical Report, 2009*, tables 12 and 28.

<sup>8</sup> See 20 CFR 416.1210 and following for a detailed discussion of resource exclusions

major costs of an urgent nature that could not be met from their monthly benefit payments, such as to replace a furnace or make essential household repairs.<sup>9</sup> Research into congressional intent in 1984 does not show any plan for future increases, nor was there any discussion of indexing at that time. As the following chart shows, if the 1972 amounts had been adjusted for inflation, they would now be nearly \$8,000 for an individual and \$12,000 for a couple.<sup>10</sup>



If it was intended as a minimal fund for emergencies, the resource limit of 1989 can no longer cover the type of emergencies Congress envisioned more than 20 years ago. The questions that arise are should this limit be revisited, and if so, what should be the policy relative to resource accumulation? This is a difficult issue to address particularly at this time given the current state of the economy. One of the objectives of the SSI program is to support the efforts of recipients to (re)gain self-sufficiency. The ability to acquire resources and build assets can be instrumental in achieving this objective. However, raising the resource limits comes at some cost to the taxpayer. If Congress considers this issue, it must be mindful of the need to balance the interests of beneficiaries with the interests of the taxpayers who fund the program.

### Policy Considerations

For SSI recipients, the ability to save more under a higher resource limit would provide added protection against hardships resulting from a drop in income or an increase in expenses. Low-income individuals and families are especially vulnerable to unexpected changes in income or

<sup>9</sup> House of Representatives Report 98-861, Deficit Reduction Act of 1984, Conference Report, June 23, 1984, p. 1388.

<sup>10</sup> Figures derived from the Bureau of Labor Statistics CPI calculator: [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm).

expenses. Because such families are already operating near a subsistence level, with little discretionary spending, unexpected events can result in material deprivation if they do not have savings or other resources to draw on. A recent study looked at the impact of income shocks (for example, loss of a job or reduction of hours, loss of child support or financial support from extended family) and expense shocks (for example, sudden illness or injury, entry of a non-working dependent into the household, or home or automobile repairs). The study found that, among households with non-elderly heads, with incomes in the lowest fifth, 24 percent experienced two or more material hardships (for example, a utility or phone shutoff or a missed housing payment) over a 12-month period. Having liquid assets up to \$2,000 reduced the incidence of material hardship by 5 percentage points, and having liquid assets between \$2,000 and \$10,000 reduced the incidence by 11 percentage points.<sup>11</sup>

Increasing the resource limit would change the incentives for participation in the program, and analysis is needed to estimate the effects of a change in the resource limit on two groups: those made newly eligible by raising the resource limit and those near the limit who might respond to the incentive to become eligible for the program:

- Wherever a higher resource limit may be set, there would, by definition, be a somewhat larger group of people with countable resources above the current limit but below the new higher limit, so there is a need to estimate the effect of expanding the group of potential beneficiaries. The cost of the program to taxpayers would tend to increase depending on how many people are made newly eligible, the proportion of those newly eligible who actually apply for SSI, and the proportion of those new applicants who meet the criteria necessary to receive benefits.
- Wherever the resource limit may be set, it has the potential to induce people near the limit to change their behavior. Raising the resource limit could motivate some people to change their work and savings behavior in such a way as to make them eligible for the program. Knowing that they would need to meet the specified resource limit, they might choose to reduce their accumulation of assets directly and/or choose to reduce their work effort that can lead to resource accumulation. Since changing the resource limit would mean that a different group of people would be near the resource limit, there would be a need to estimate the change in the behavior of that group of people.<sup>12</sup>

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<sup>11</sup> Signe-Mary McKernan, Caroline Ratcliffe, and Katie Vinopal, "Do Assets Help Families Cope with Adverse Events?" *Perspectives on Low-Income Working Families*, Urban Institute, November 2009; Gregory Mills and Joe Amick, "Can Savings Help Overcome Income Instability?" *Perspectives on Low-Income Working Families*, Urban Institute, December 2010.

<sup>12</sup> Empirical study has shown some reduction in work among people approaching the eligibility age for SSI aged benefits. (David Neumark and Elizabeth T. Powers, "The Effect of the SSI Program on Labor Supply: Improved Evidence from Social Security Administrative Files," *Social Security Bulletin*, 2003/2004.) There have been no comparable studies of changes in behavior to meet eligibility criteria among the population potentially applying for SSI disability benefits

Deliberation on SSI resource limits should consider the natural tension among these considerations: the interests of SSI beneficiaries in increased protection against hardships, the cost to taxpayers, and whether the change in the rules would encourage potential beneficiaries to reduce their work and savings. Empirical research is needed to provide a basis for a sound policy decision and should address such subsidiary questions as:

- What is the frequency of material hardships among current SSI beneficiaries?
- To what extent do the current resource limits constrain SSI beneficiaries? That is, how many beneficiaries are close to the current resource limit?
- What would be the effect of an increased resource limit on the work and saving behavior of those potentially eligible? The research should distinguish among the various populations who might seek SSI benefits. The existing research on the impact of raising resource limits on labor-supply focused only on those potentially eligible for SSI because they are age 65 or older, only a quarter of current SSI beneficiaries. The work and savings behavior of those potentially qualifying because of serious health related limitations may well be very different from those who qualify based on age. In addition, the work and savings behavior of the parents of potentially eligible disabled children might well be different from the response of working age adults who would potentially be claiming benefits based on their own disability.

SSA should conduct or fund evidence-based research to determine an appropriate resource limit for SSI that would improve the welfare of all concerned.

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