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A Project of the Manhattan Institute for Policy Research

Before the Joint Fiscal Committees of the Legislature
On SFY 2012-13 Human Services Budget Issues
February 13, 2012

This testimony discusses one key proposal of the Governor's Human Service Budget – managing the SSI State Supplement. As part of his SFY 2012-13 Executive Budget, Governor Andrew Cuomo has included a long overdue initiative for the state to take over the administration of New York's Supplemental Security Income (SSI) state supplemental payment from the federal Social Security Administration. Following the lead of a recommendation by his Spending and Government Efficiency (SAGE) Commission in their December 15, 2011 report, the Governor's proposal will result, when fully implemented, in savings of $90 million annually. The Empire Center for New York State Policy fully supports this state takeover - it is a perfect example of the efficiencies that can be achieved from close scrutiny of wasteful practices and modest upfront staff and system investments to yield long-term savings.

On average, over 680,000 either aged or disabled New Yorkers receive monthly federal and state supplemental SSI payments annually. The total annual state supplement benefit in 2011 was $650.8 million. Overall federal and state SSI payments to participants totaled about $4.7 billion.

New York chose from the inception of the state supplement to contract out the payment process to the Social Security Administration, which combines the monthly federal and state payments into one deposit or check. The annual cost of this service has become exorbitant at $10.94 for each individual benefit issued, far more than the actual cost of delivering the benefit. The cost also rises each year based on automatic inflation adjustments in federal law. Efforts to request that SSA voluntarily lower the cost were consistently ignored, leaving the only solution being to build a state system and process to effectively replace what has become a price gouging service from SSA. When the SSI takeover is fully implemented it will reduce this per benefit issuance cost to under $2.00 or by over 80%, generating the nearly $90 million in annual savings.

Forty-four states provide a monthly state supplement to all recipients of SSI and the vast majority of them administer it themselves. Pennsylvania and Rhode Island have brought their SSI state supplements in house over the last several years and Massachusetts is in the process of doing the same. Only New York and a few other states including California and New Jersey remain outliers in still contracting with SSA for what is a reasonably simple payment process.

While New York's SSI state supplement is more complicated than those of most states, with multiple categories of payments, assuming the responsibility from the feds will still be relatively simple. The upfront one-time thirty-month costs for building, launching and maintaining the state payment system will be vastly outweighed by the annual long-term savings. At the time of the final switchover in October 2014, all current SSI supplement recipients will be automatically covered at their existing payment levels. Anyone applying after the switchover will first need to apply for and be determined eligible for federal SSI benefits, which is unchanged from how the current program operates. Most of the information to operate the supplement in-house will still be fully available from the Social Security Administration.

I was previously the Deputy Commissioner of the Center for Employment and Economic Supports at the Office of Temporary and Disability Assistance. I have a thorough knowledge of the importance of moving in this direction because in that role, one of my responsibilities was overseeing policy in regard to the SSI state supplement. For a number of years the topic of taking over the SSI state supplement was raised at the agency level, but it either fell on deaf ears or died in informal legislative negotiations. Advocates claimed it would confuse SSI recipients and unions expressed concerns that it might displace public sector jobs – both are inaccurate.

The change will, in effect, be invisible to recipients. The process will be automated and the total monthly amount going into SSI recipient accounts from two deposits instead of one will be the same. SSI is currently moving fully from the last vestiges of check writing to direct deposit for all recipients. Additionally, the Governor proposes using state workers rather than contractors to operate the new payment system, thereby eliminating public employee union concerns. There is simply no rational reason for not moving forward at a time when the state needs to realize any and all savings to close structural deficits. The Governor's proposal is sound, sensible and prudent and deserves the full support of the legislature.

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State should take over SSI payment function

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By **Readers' Page**

To the Editor:

As part of his State Fiscal Year 2012-13 Executive Budget, Gov. Andrew Cuomo has included a long overdue initiative to take over the administration of New York's Supplemental Security Income (SSI) state supplemental payment from the federal Social Security Administration. Following a recommendation by his Spending and Government Efficiency Commission in their Dec. 15 report, the governor's proposal will result, when fully implemented, in savings of $90 million annually.

Legislators and taxpayers should fully support this state takeover. It is a perfect example of the efficiencies that can be achieved from close scrutiny of wasteful practices.

The SSI program pays benefits to disabled adults and children who have limited income and resources. SSI benefits also are payable to people 65 and older without disabilities who meet the financial limits. Approximately 680,000 aged or disabled New Yorkers receive monthly federal and state supplemental SSI payments. The total annual state supplement benefit in 2011 was $650.8 million. Overall federal and state SSI payments to participants total just under $4.7 billion annually.

New York has always contracted out the SSI supplement payment process to the Social Security Administration (SSA). The annual cost of this service is exorbitant at $10.94 for each individual benefit issued. The cost also rises each year based on automatic inflation adjustments in federal law. Efforts to request that SSA voluntarily lower the cost were consistently ignored, leaving state takeover as the only solution to end what has become a price gouging service from SSA. When the SSI takeover is fully implemented, it will reduce this per benefit issuance cost to under $2 or by over 80 percent, generating the nearly $90 million in annual savings.

New York and a few other states, including California and New Jersey, are the last outliers in still contracting with SSA for what is a reasonably simple payment process. Forty-four states provide a monthly state supplement to all recipients of SSI and the vast majority of them administer it themselves. Pennsylvania and Rhode Island have brought their SSI state supplements in house over the last several years and Massachusetts is in the process of doing the same. But, when recommended previously in New York at the agency level, the takeover was not solidly endorsed, as the governor to his credit now has done.

While New York's SSI state supplement is more complicated than most states, with multiple categories of payments, assuming the responsibility will still be relatively simple. The one-time cost for developing a state system to issue benefits will be vastly outweighed by the annual long-term savings. At the time of the switchover, all current SSI supplement recipients will be automatically covered at their existing payment levels. Anyone applying after the switchover will first need to apply for and be determined eligible for federal SSI benefits. Most of the information to operate the supplement in-house will remain fully available from SSA.

Some may continue to resist — claiming that the change may confuse recipients because they will receive two deposits monthly instead of one. However the total monthly amount going into their account will be the same. At the federal level, SSI has moved away from the last vestiges of check writing to direct deposit for all recipients. This leaves no rational excuse for not moving forward at a time when the state needs to realize any and all savings to close structural deficits. The governor's proposal is sound, sensible and prudent. It deserves the full support of all concerned. This one should be, in basketball terms, a layup.

Russell Sykes is a senior fellow with the Manhattan Institute's Empire Center for New York State Policy. He was formerly deputy commissioner at the New York State Office of Temporary and Disability Assistance, where he oversaw New York's SSI state supplement payment, among other programs.