



Federal Accounting Standards Advisory Board

February 17, 2005

Memorandum

To: Members of the Board
From: Julia E. Ranagan, Assistant Director
Through: Wendy M. Comes, Executive Director
Subj: Research into the Application of the Liability Definition¹

At the October 2004 meeting, the Board discussed a preliminary project plan for extending the reconsideration of the recognition, measurement, display and disclosure of obligations beyond social insurance to other activities of the federal government. It was agreed that staff would select one or two representative programs to review and come back to you at the March meeting with a discussion of alternative obligating events for the selected program(s).

This tab presents a fact sheet on the Supplemental Security Income (SSI) program and a discussion of several alternative obligating events for SSI. This paper focuses on recognition and measurement of the SSI liability; a discussion of display options has been deferred pending the outcome of the Board's deliberations on this paper. It is staff's hope that conclusions reached with respect to the alternative obligating events for the SSI program can be uniformly applied to other appropriated entitlement programs like Food Stamps and Temporary Assistance for Needy Families.

The staff objective for the March meeting is to obtain comments, suggestions, and continued direction for the project. Staff would specifically like to obtain the Board's response to the following question:

Do you agree with staff's recommendation of the obligating event for SSI being at the point of eligibility determination?

Please contact me at 202-512-7377 or by e-mail at ranaganj@fasab.gov with questions or comments.

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

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Appendix 1 – SSI Fact Sheet

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1
2 **Staff Objective for this Paper**
3

4 To discuss alternative obligating events for a selected federal program in the context of FASAB
5 objectives for federal financial reporting and current Board deliberations on the Elements and Social
6 Insurance Liability projects. To obtain the Board's general feelings of whether an alternative
7 obligating event earlier than due and payable would be appropriate for the selected program.
8
9

10 **Selected Program: Supplemental Security Income (SSI)**
11

12 The Supplemental Security Income (SSI) program is a Federal income supplement program
13 administered by the Social Security Administration but funded by general tax revenues (not Social
14 Security taxes). It is designed to help aged, blind, and disabled adults and children who have little or
15 no income, and it provides cash to meet basic needs for food, clothing, and shelter.
16

17 Eligibility for payments under the SSI program depends on satisfying a collection of requirements
18 related to the socioeconomic status of the individual, as well as the evaluation of disability or
19 blindness for all persons under age 65, and for certain individuals at ages 65 or older. Consequently,
20 future SSI program participation will depend on a variety of difficult-to-predict factors including the
21 performance of national and local economies, distribution of personal income, the prevalence of
22 disability in the general population, and the determination of disability as defined by the Social
23 Security Act.¹ For more detailed information, see the SSI fact sheet at Appendix 1.
24
25

26 **FASAB Objectives for Federal Financial Reporting**
27

28 Identifying an alternative obligating event earlier than due and payable for SSI may require the Board
29 to consider what the overall objective is for providing this information, and what the objective is for the
30 balance sheet and statement of net cost. The following objectives from SFFAC 1 seem especially
31 relevant:²
32

33 Objective #2 – Federal financial reporting should assist report users in evaluating the service
34 efforts, costs, and accomplishments of the reporting entity; the manner in which these efforts
35 and accomplishments have been financed; and the management of the entity's assets and
36 liabilities. Federal financial reporting should provide information that helps the reader to
37 determine:
38

39 2A. the costs of providing specific programs and activities and the composition of, and
40 changes in, these costs;

41
42 2B. the efforts and accomplishments associated with federal programs and the
43 changes over time and in relation to costs; and
44

45 2C. the efficiency and effectiveness of the government's management of its assets and
46 liabilities.
47
48

¹ Section IV. of the 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/ssiTOC.html>

² FASAB: Original Pronouncements, Version 4 (06/2004), p. 6

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1 Objective #3 – Federal financial reporting should assist report users in assessing the impact
2 on the country of the government’s operations and investments for the period and how, as a
3 result, the government’s and the nation’s financial condition has changed and may change in
4 the future. Federal financial reporting should provide information that helps the reader to
5 determine whether:

6
7 3A. the government’s financial position improved or deteriorated over the period;

8
9 3B. future budgetary resources will likely be sufficient to sustain public services and to
10 meet obligations as they come due; and,

11
12 3C. government operations have contributed to the nation’s current and future well-
13 being.

14
15
16 **Life Cycle Events: SSI**

17
18 Through the life cycle of the SSI program, the following events occur at least once:

- 19
20 1. Authorization (S)³ - The program is permanently authorized by Title XVI (Supplemental
21 Security Income for the Aged, Blind, and Disabled) of the Social Security Act.⁴ At the time of
22 authorization, no amounts have been appropriated and no participants have been enrolled.
23
24 2. Appropriation (S) – The program receives an annual appropriation through the normal
25 appropriation process guided by OMB Circular A-11 – *Preparation, Submission, and Execution*
26 *of the Budget*.⁵ The estimated fiscal year 2005 appropriation for SSI is \$38.8 billion.⁶ SSI’s
27 annual funding requirements are estimated using an actuarial model that disaggregates the
28 basic population by single year of age and gender in order to better understand and project the
29 various transitions in and out of payment status. In addition to an annual appropriation
30 amount, the appropriation normally also provides for “such sums as may be necessary” to
31 cover the fourth quarter costs of the program and also provides an advance appropriation
32 amount for the first quarter of the following year. This appropriation language helps provide
33 continuity of funding for the SSI program. At the time of the initial appropriation, no
34 participants have been enrolled.
35
36 3. Application (P) – Participants can apply for SSI benefits at any one of the approximately 1,300
37 SSA field offices around the country or through SSA teleservice centers. The claims process
38 includes the application interview, the obtaining of necessary evidence and documentation,
39 and the adjudication of the claim. At the time of application, no participants have been
40 enrolled.
41
42 4. Determination (P) – SSI applications have no retroactivity and become effective in the month
43 after the month of filing or the month after all eligibility requirements are met, whichever is
44 later. In other words, benefits are only paid from the point of determination forward.⁷ Eligibility

³ (S) = SSI Program-Level, (P) = Participant-Level

⁴ Social Security Handbook Chapter 21, § 2100

⁵ <http://www.whitehouse.gov/omb/circulars/a11/04toc.html>

⁶ *Budget of the United States Government, Fiscal Year 2005* for the Social Security Administration at
<http://www.whitehouse.gov/omb/budget/fy2005/ssa.html>

⁷ Social Security Handbook Chapter 21, § 2104

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1 for benefits is determined on a current monthly basis. At the end of 2003, 83 percent of SSI
2 recipients were receiving benefits based on a determination of disability (as well as income,
3 resource, and other requirements). The remaining 17 percent were receiving benefits based
4 on age (as well as income, resource, and other requirements).⁸ Approximately 40 – 43 % of
5 initial disability applications are allowed. Initial decisions that are unfavorable to the applicant
6 may be appealed; such a process of application and appeal can, in some cases, span several
7 years.⁹ At the time of determination, the participants are enrolled in the program, but payment
8 does not begin until the first day of the month following enrollment.
9

- 10 5. Payment (P) – SSI benefits generally are paid on the first day of each month and apply to that
11 particular month. If the first of the month falls on a weekend or legal public holiday, benefit
12 payments are delivered on the first day preceding such Saturday, Sunday, or holiday.
13 Payment will continue until the participant notifies SSA of a change in status that renders the
14 participant ineligible or a periodic review by SSA determines that the participant no longer
15 meets eligibility requirements. If a review determines that a recipient is no longer eligible and
16 has received payments to which he is not entitled, collection of the overpayment will be
17 initiated provided that the average cost of recovering the overpayment equals or exceeds the
18 amount of the overpayment. Furthermore, under certain conditions (e.g., in consideration of
19 an individual’s financial situation), a waiver of the entire overpayment or the balance due on an
20 overpayment can be approved.¹⁰ The standard monthly benefit rate is adjusted in January of
21 each year to reflect changes in the level of consumer prices. The adjustment factor is based
22 on the year-to-year increase in the Consumer Price Index for the third quarter of the calendar
23 year.
24
- 25 6. Review (P) – Redeterminations are reviews of all of the nonmedical factors of eligibility to
26 determine whether a recipient is still eligible for SSI and still receiving the correct amount.
27 These reviews are generally performed every 1 to 6 years depending on each individual
28 recipient’s specific situation (e.g., likelihood of change). Continuing disability reviews are
29 reviews of medical factors of eligibility. For administrative efficiency the medical reviews are
30 done most often on those disabled or blind recipients whose medical conditions are
31 considered likely to improve. The end result of a review is either cessation or continuation of
32 benefits. Recipients must be informed in writing in advance of adverse actions SSA plans to
33 take and must be given the opportunity to request that their benefits continue pending a
34 decision at the first level of appeal. Recipients can qualify for payment continuation when they
35 appeal an adverse action within 10 days of receiving the advance notice.¹¹ 93% of adults and
36 74% of children with disability determinations continue receiving benefits after a subsequent
37 review for continued eligibility.¹²
38
39
40
41
42

⁸ Table IV.B6. 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/Participants.html#wp439058>

⁹ Section V.C. of the 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/ssiTOC.html>

¹⁰ Social Security Handbook Chapter 19, § 1920 and Social Security “Questions about Checks and Payments” Answer ID 336 at www.ssa.gov

¹¹ Section III.F.5. of the 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/ssiTOC.html>

¹² Derived by staff based on average of “Continuations” over “Total Initial Decisions” in “Total Reviews” at Tables V.D.2. and V.D.3. of the 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/ssiTOC.html>

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Characteristics of a Liability

At the December 2004 meeting, the Board continued deliberations begun at previous meetings under the Elements project as to whether the essential characteristics of liabilities identified by FASB in its Concepts Statements 6 for private-sector entities are also essential characteristics of federal liabilities, and/or whether federal liabilities have other essential characteristics. The characteristics of FASB are (par. 36):

- (a) It embodies a present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assets at a specified or determinable date, on occurrence of a specified event, or on demand;
- (b) The duty or responsibility obligates a particular entity leaving it little or no discretion to avoid the future sacrifice; and
- (c) The transaction or other event obligating the entity has already happened.

Staff on the Elements project is drafting a liability definition that is based on the same “essential characteristics of a liability” as FASB’s above but with specific application to the federal environment. Paragraph L7 of staff’s draft paper for the March meeting states “A federal entity has a liability when both of these characteristics exist:

- (a) The federal entity has a present obligation¹³ to provide cash, goods, or services to another entity in the future.
- (b) Under existing conditions, the federal entity is required to settle the obligation at a specified or determinable date, when a specified event occurs, or on demand.”

The Board will discuss staff’s draft paper at the March meeting.

Discussion of the Characteristics of a Present Obligation

The first characteristic of a liability in the previous section relates to a present duty or responsibility (present obligation). As discussed in prior Board meetings, for exchange transactions, the present obligation is generally created at the point that the exchange occurs. However, for non-exchange and exchange-like transactions, where there is no defined point of exchange, a different approach must be taken to determine when the obligating event occurs. Staff on the Elements project will be taking a conceptual look at this as the liability definition is developed. In the meantime, the December 1, 2004 memo for the Social Insurance Liability Project presented the Board with a list of eight characteristics to help define the point at which a present obligation is created for social insurance:

- 1. Eligibility is permanent.
- 2. Benefit level specified in current law.
- 3. Permanent funding source.
- 4. Future benefit payments are legally enforceable.
- 5. Benefits can be specifically identified.
- 6. Participants are performing.

¹³ The term *obligation* is used in this Statement with its general meaning of a duty or responsibility to act in a certain way. It is not intended to mean that an obligation of budgetary resources is required for a liability to exist in accounting or financial reporting.

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7. Participants are exchanging current resources.
8. Information about benefits is directly communicated to participants.

Most of the characteristics listed above were not supported by a majority of the Board. Several Board members felt that eligibility need not be permanent, the benefit level need not be specified in current law, a permanent funding source was not required, benefit payments need not be legally enforceable, benefits need not be specially identified, an exchange need not be made, and information need not be communicated directly to participants. In staff's current memo for the Social Insurance Liability Project, staff has drafted the following two characteristics that would help create a present obligation for social insurance because the Government has "little or no discretion under current law to avoid the future sacrifice" or, alternatively, "is required to settle the obligation at a specified or determinable date, when a specified event occurs, or on demand."

a. Eligibility.

Current law provides the conditions that, once met, qualify the participants to receive a specific benefit for a specific period of time. Such benefits begin within a discernable range of dates and end upon occurrence of a specified event. The specificity of the law with respect to qualification for benefits, timing and amount of benefit payments, and provision of recourse if benefits are unlawfully withheld may influence the determination of what past transaction (obligating event) creates a present obligation to make a future sacrifice consistent with the liability definition.

b. Performance.

The participants are performing under the terms of the program. With respect to Social Security, participants work in covered employment and the wages earned therein determine both the amount they (and their employers) pay in dedicated taxes and their future benefits. Participants can and do reasonably expect and rely on the future benefits. They and their employers arrange their long-term finances based thereon. Moreover, performing under the terms of the program and paying dedicated taxes can be viewed as exchanging current resources for future benefits. The participatory nature of the program contributes to the belief that future benefits arise or accrue as a result of events occurring before or during the period. This connection between future benefit payments and past events – perhaps coupled with meeting conditions for eligibility – suggests that a present obligation to make a future sacrifice arises from these past events (performance or "participation").

These two characteristics of a present obligation will be discussed with respect to the point at which a present obligation is created for SSI. In general, for SSI, current law provides the conditions that, once met, qualify the participants to receive a specific benefit for a specific period of time. Such benefits begin within a discernable range of dates and end upon occurrence of a specified event. The specificity of the law with respect to qualification for benefits, timing and amount of benefit payments, and provision of recourse if benefits are unlawfully withheld may influence the determination of what past transaction (obligating event) creates a present obligation to make a future sacrifice consistent with the liability definition. In addition, at various stages in the life cycle of the program, there are participants that are performing under the terms of the program. While the terms of the SSI program differ from social security, the term performance simply means "to adhere to the terms of : FULFILL."¹⁴ For SSI, performing would include successfully submitting an application, undergoing the application

¹⁴ Merriam-Webster Online Dictionary

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1 interview, providing necessary evidence and documentation, and continuing to fulfill eligibility
2 requirements. For social security, the notion of “exchanging current resources for future benefits” is
3 used as a subset of the performance characteristic to differentiate social security from other
4 appropriated entitlement programs. This paper assumes that the notion of exchange is not a required
5 characteristic to establish a liability.
6
7

8 **Alternative Obligating Events: SSI**

9
10 Based on the life cycle events discussed on page 3, possible alternative obligating events for the SSI
11 program are:
12

- 13 1. Authorization – SSI program is permanently authorized by Title XVI (Supplemental Security
14 Income for the Aged, Blind, and Disabled) of the Social Security Act.
- 15 2. Appropriation – SSI program receives annual appropriations, including advance
16 appropriations, to fund operations with minimal disruption.
- 17 3. Birth/Immigration – An individual is born that could potentially one day seek benefits under the
18 SSI program. Only approximately two percent (2%) of US citizens receive benefits under the
19 SSI program.
- 20 4. Disabling Event – An individual becomes disabled, resulting in eligibility for the SSI program
21 provided that all other eligibility requirements (i.e., income, resource, living arrangement, etc)
22 are also fulfilled.
- 23 5. Application – Participants apply for SSI benefits at any one of the approximately 1,300 SSA
24 field offices around the country or through SSA teleservice centers. At this point, the
25 application has neither been approved nor denied for benefits.
- 26 6. Determination – Individual determinations are made as to the disposition of the applications
27 (approval or denial).
- 28 7. Review – Redeterminations or continuing disability reviews are performed and affirm whether
29 participants are still eligible to receive benefits.
- 30 8. Payment/Due and Payable – Benefit payments are recognized as liabilities and expenses at
31 the point they become “due and payable.” SSI benefit payments are currently first recognized
32 as liabilities and expenses just prior to the beginning of each new month, the point they
33 become “due and payable” in accordance with non-exchange liability recognition established
34 in SFFAS 5.
35
36

37 **Discussion of Alternative Obligating Events**

38
39 The alternative obligating events identified above are discussed below with respect to the three
40 characteristics required in order to be considered a liability and the two characteristics of a present
41 obligation developed under social insurance. It is important to note that this discussion is based on
42 “current law.” It is recognized that Congress has the ability to change current law at its discretion but
43 accountants usually do not estimate or forecast for possible changes in law unless such changes are
44 imminent.
45

46 *1. Authorization*

47
48 Discussion

49 SSI was permanently authorized through Title XVI (Supplemental Security Income for the Aged,
50 Blind, and Disabled) of the Social Security Act. At the point of authorization, some could argue
51 that there is an established intent to create an obligation on behalf of the government. However,

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1 the ability of accountants to objectively identify and measure intent is limited. Furthermore, Title
2 XV1 sets forth the criteria for “basic entitlement to benefits” as follows:

3
4 Sec. 1381a. Basic entitlement to benefits

5
6 Every aged, blind, or disabled individual who is
7 determined under part A of this subchapter to be eligible
8 on the basis of his income and resources shall, in
9 accordance with and subject to the provisions of this
10 subchapter, be paid benefits by the Commissioner of Social
11 Security.
12

13 Since no participants had been determined to be eligible at the point of authorization, no event
14 has occurred that would leave the government with little or no discretion to avoid payment of
15 benefits to one or more other entities. Therefore, the point of authorization would appear to fail all
16 three characteristics of a liability.
17

18 Summary of Characteristics

19 At the point of authorization:

- 20 a. There is no present duty or responsibility to one or more other entities that entails
21 settlement by probable future transfer or use of assets at a specified or determinable date,
22 on occurrence of a specified event, or on demand. At the time the SSI program was
23 authorized in 1974, no participants were determined eligible or performing under the terms
24 of the program.
25 i. Eligibility – Conditions specified by current law to qualify the participants to receive
26 a specific benefit for a specific period of time have not been met. At the point of
27 authorization, no individuals were determined to be eligible.
28 ii. Performance – There were no current participants that were performing under the
29 terms of the program at the time of authorization.
30 b. Since there is no present duty or responsibility, the government is not left with little or no
31 discretion to avoid the future sacrifice; and
32 c. Since there is no present duty or responsibility, the transaction or event has not already
33 happened.
34
35

36 2. *Appropriation*

37
38 Discussion

39 Initial Appropriation – As discussed above, at the point of the initial appropriation in 1974, no
40 participants were determined to be eligible or performing under the terms of the program.
41 Therefore, since there were no participants yet enrolled in the program and no reasonable reliance
42 placed upon the continued payment of SSI benefits, it would appear that there were no entities to
43 which a present obligation had been created that would leave the government little or no
44 discretion to avoid the future sacrifice.
45

46 Subsequent Appropriations - As the SSI program continues under its permanent authorization,
47 participants continue to receive benefits each year as long as they continue to meet eligibility
48 requirements. A participant does not need to reapply each year and can reasonably expect to
49 continue receiving payments as long as they meet eligibility requirements under current law. With
50 each subsequent appropriation, some could argue that the continuation of the SSI program (both
51 from the collective viewpoint and an individual’s viewpoint) seems imminent and could set up a
52 scenario where participants become highly reliant on the program, leaving the government little or

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1 no discretion to avoid the future sacrifice. However, from a principles-based viewpoint, rather than
2 merely a rules-based, SSI-specific viewpoint, others could argue that the mere event of
3 appropriation would not create a present obligation for a program that enrolls new participants
4 each year (e.g., student loans). At the point of appropriation for programs that do not have
5 ongoing participants, there would be no entities that were determined eligible or performing under
6 the terms of the program.

7
8 Summary of Characteristics

9 At the point of appropriation:

- 10 a. In general, there is no present duty or responsibility to one or more other entities that
11 entails settlement by probable future transfer or use of assets at a specified or
12 determinable date, on occurrence of a specified event, or on demand.
13 i. Eligibility – Conditions specified by current law to qualify the participants to receive
14 a specific benefit for a specific period of time have been met for some of the
15 participants of some programs. At the point of subsequent SSI appropriations,
16 there are individuals that have been determined to be eligible.
17 ii. Performance – There are some current participants that are performing under the
18 terms of some programs. At the point of subsequent SSI appropriations, there are
19 individuals that are performing under the terms of the program.

20 While at the time of subsequent SSI appropriations, there are ongoing participants that
21 have been determined eligible and are performing under the terms of the program, this
22 would not be the case for programs that do not have ongoing participants. Therefore, the
23 point of appropriation would not be a valid present obligation from a principles-based
24 viewpoint.

- 25 b. Since there is no present duty or responsibility, the government is not left with little or no
26 discretion to avoid the future sacrifice; and
27 c. Since there is no present duty or responsibility, the transaction or event has not already
28 happened.

29
30
31 3. *Birth/Immigration*

32
33 Discussion

34 Some could argue that merely being born or immigrating into the United States entitles an
35 individual to certain benefits that have historically been provided over many decades, including
36 SSI. Approximately two percent (2%) of Americans born each year will ultimately receive SSI
37 benefits. However, future SSI program participation will depend on a variety of difficult-to-predict
38 factors including the performance of national and local economies, distribution of personal income,
39 the prevalence of disability in the general population, and the determination of disability as defined
40 by the Social Security Act. In addition, at the point of birth or immigration, no individuals have
41 been determined to be eligible nor are they performing under the terms of the program. As such,
42 there would be no one relying on the program that would leave the government little or no
43 discretion to avoid the future sacrifice.

44
45 Summary of Characteristics

46 At the point of birth/immigration:

- 47 a. There is no present duty or responsibility to one or more other entities that entails
48 settlement by probable future transfer or use of assets at a specified or determinable date,
49 on occurrence of a specified event, or on demand. At the time that individuals are born or
50 immigrate to the United States, none of them have been determined eligible nor are they
51 performing under the terms of the program.

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- i. Eligibility – Conditions specified by current law to qualify the participants to receive a specific benefit for a specific period of time have not been met. At the point of birth/immigration, no individuals have been determined to be eligible.
- ii. Performance – There are no current participants that are performing under the terms of the program at the time of birth or immigration.
- b. Since there is no present duty or responsibility, the government is not left with little or no discretion to avoid the future sacrifice; and
- c. Since there is no present duty or responsibility, the transaction or event has not already happened.

4. *Disabling Event*

Discussion

The actual event that results in either permanent or temporary disability is referred to here as the “disabling event.” Some could argue that the disabling event for someone that meets the other eligibility criteria for the SSI program could set up the expectation for benefits, thus leaving the government little or no discretion to avoid the future sacrifice. Some could argue that the disabling event could be viewed as the triggering event such as the occurrence of a natural disaster in the case of federal relief aid. However, SSI applications have no retroactivity and become effective in the month after the month of filing or the month after all eligibility requirements are met, whichever is later. In other words, benefits are only paid from the point of determination forward.¹⁵ For example, an individual could become paralyzed in an automobile accident that killed both of his parents and left him with a small inheritance. The individual would be ineligible for SSI payments due to the inheritance. However, at some later time (perhaps even months or years later) once he had spent down the inheritance for medical and other living expenses, his resources and income may become such that he is now eligible for SSI payments. His payments would start from the month after filing or the month after all eligibility requirements are met, not the date of the disabling event. In the example of the occurrence of a natural disaster, if the government chooses to provide federal relief aid, the damages are normally assessed from the occurrence of the natural disaster forward. SSI recipients are not generally paid from the point of disability forward; as such, the disabling event is not parallel to an event such as the occurrence of a natural disaster, but is presented here for comparison purposes. At the point of a disabling event, no individuals have been determined to be eligible nor are they performing under the terms of the program.

Summary of Characteristics

At the point of the disabling event:

- a. There is no present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assets at a specified or determinable date, on occurrence of a specified event, or on demand. At the time that individuals become disabled, none of them have been determined eligible nor are they performing under the terms of the program.
 - i. Eligibility – Conditions specified by current law to qualify the participants to receive a specific benefit for a specific period of time have not been met. At the point of the disabling event, no individuals have been determined to be eligible.
 - ii. Performance – There are no current participants that are performing under the terms of the program at the time of the disabling event.
- b. Since there is no present duty or responsibility, the government is not left with little or no discretion to avoid the future sacrifice; and

¹⁵ Social Security Handbook Chapter 21, § 2104

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- 1 c. Since there is no present duty or responsibility, the transaction or event has not already
2 happened.

3
4
5 **5. Application**

6
7 Discussion

8 The entire list of eligibility requirements are spelled out on SSA's web site under the heading
9 "Understanding Supplemental Security Income SSI Eligibility Requirements."¹⁶ Each year, the
10 updated "SSI Federal Payment Amounts" are also posted on SSA's web site.¹⁷ Furthermore,
11 there are numerous fact sheets available through SSA that detail specific eligibility requirements.
12 Therefore, at the point of application, an individual has the informational resources available to
13 him to independently determine that he meets the eligibility criteria and apply for the benefits
14 available to him under current law. However, the official determination of SSA is the point at
15 which the agency determines eligibility and accepts the participant into the SSI program.
16 Therefore, at the point of application, there are no participants officially determined to be eligible
17 and performing under the terms of the program.

18
19 Summary of Characteristics

20 At the point of application:

- 21 a. There is no present duty or responsibility to one or more other entities that entails
22 settlement by probable future transfer or use of assets at a specified or determinable date,
23 on occurrence of a specified event, or on demand. At the time that individuals submit their
24 application, none of the applicants have been determined eligible nor are they performing
25 under the terms of the program.
26 i. Eligibility – Conditions specified by current law to qualify the participants to receive
27 a specific benefit for a specific period of time have not been met. At the point of
28 application, no individuals have been determined to be eligible.
29 ii. Performance – There are no current participants that are performing under the
30 terms of the program at the time of application because they have not yet been
31 determined eligible.
32 b. Since there is no present duty or responsibility, the government is not left with little or no
33 discretion to avoid the future sacrifice; and
34 c. Since there is no present duty or responsibility, the transaction or event has not already
35 happened.

36
37
38 **6. Determination (of eligibility)**

39
40 Discussion

41 At the point of determination, SSA is making a uniform decision as to whether to accept or reject
42 an individual into the SSI program based on the established eligibility criteria. Some could argue
43 that, upon acceptance into the SSI program, an individual could reasonably rely on receiving
44 benefits payments for as long as he continues to meet the eligibility criteria set forth under the
45 program requirements. Others may argue that the individual must meet the eligibility criteria at the
46 beginning of each new month in order to rightly receive payment for that month; therefore, there is
47 no ongoing commitment to continue payment.
48

¹⁶ <http://www.ssa.gov/notices/supplemental-security-income/text-eligibility-ussi.htm>

¹⁷ <http://www.ssa.gov/OACT/COLA/SSI.html>

**Research into the Application of the Liability Definition
Alternatives for Discussion
February 17, 2005**

1 Under the current liability standards, liabilities are accrued for SSI when “due and payable.” Thus,
2 the obligating event occurs when absolutely all conditions necessary for payment have been met.
3 A potential obligating event for SSI other than “due and payable” would establish that remaining
4 unmet conditions are (1) beyond the control of the government under current law and (2) the
5 likelihood that the conditions will remain unmet is remote to varying degrees within the population.
6 Whether or not a participant in the SSI program gets a job or begins earning too much money to
7 receive SSI benefits or recovers from an eligible disability, is totally out of the hands of the
8 government. While one could argue that there is no obligating event at the point of determination
9 because the individual must continue to meet eligibility requirements, others feel that argument is
10 addressed under the notion that the individuals are successfully performing under the terms of the
11 program by continuing to meet eligibility requirements (the second characteristic of a present
12 obligation presented in the Social Insurance Liability Project).

13
14 Summary of Characteristics

15 At the point of determination:

- 16 a. There is a present duty or responsibility to one or more other entities that entails settlement
17 by probable future transfer or use of assets at a specified or determinable date, on
18 occurrence of a specified event, or on demand. At the time that eligibility is determined by
19 SSA, the individual is accepted into the SSI program, creating an expectation on the part of
20 the SSI participant that benefit payments will continue as long as the individual continues
21 to meet eligibility requirements and performs under the terms of the program, thus leaving
22 the government little or no discretion to avoid the future sacrifice.
23 i. Eligibility – Conditions specified by current law to qualify the participants to receive
24 a specific benefit for a specific period of time have been met. At the point of
25 determination, the participants have met the criteria to enable them to begin
26 receiving payments under the SSI program.
27 ii. Performance – The participants begin performing under the terms of the program
28 by successfully submitting an application, undergoing the application interview, and
29 providing necessary evidence and documentation. They continue performing under
30 the terms of the program by continuing to fulfill eligibility requirements.
31 b. The present duty or responsibility obligates the government under current law, leaving it
32 with little or no discretion to avoid the future sacrifice; and
33 c. The transaction or event has already happened at the point of determination.

34
35
36 7. *Review*

37
38 Discussion

39 At the point of review, SSA conducts a periodic review to ensure that the individual is still eligible
40 to continue receiving benefits. Redeterminations are reviews of all of the nonmedical factors of
41 eligibility to determine whether an individual is still eligible for SSI and still receiving the correct
42 amount. Continuing disability reviews are reviews of medical factors of eligibility. The end result
43 of a review is either cessation or continuation of benefits. Recipients must be informed in writing
44 in advance of adverse actions SSA plans to take and must be given the opportunity to request that
45 their benefits continue pending a decision at the first level of appeal. Recipients can qualify for
46 payment continuation when they appeal an adverse action within 10 days of receiving the advance
47 notice.¹⁸

18 Section III.F.5. of the 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/ssiTOC.html>

**Research into the Application of the Liability Definition
Alternatives for Discussion
February 17, 2005**

1 At the end of 2003, the majority of SSI recipients (83 percent) were receiving benefits based on a
2 determination of disability (as well as income, resource, and other requirements). The remaining
3 17 percent were receiving benefits based on age (as well as income, resource, and other
4 requirements).¹⁹ Of those with disability determination, 93% of adults and 74% of children
5 continued receiving benefits after a subsequent review for continued eligibility. One could argue
6 that the continuation of benefits after a follow-up review provides more reliable estimates of who
7 will and who will not continue to receive benefits. However, from a collective viewpoint, it would
8 seem that this argument is more an argument of measurement rather than recognition. Based on
9 historical trends and the experience of the SSI program to date, it could be estimated what
10 percentage of the current eligible participants will continue to receive benefits after a subsequent
11 review.

12
13 However, if one felt strongly that a follow-up review for continued eligibility gave more weight to
14 the government's inability to avoid the present obligation for an extended period of time, the point
15 of review would meet the three characteristics of a liability (present obligation, little or no discretion
16 to avoid, and the event has occurred). Furthermore, the point of review could help define a more
17 succinct period of obligation. For example, if a review is only performed every three years for a
18 certain disability (due to the severity of the disability), it would seem more certain that benefits
19 would continue for a period of three years – from the point of the most recent review until the next
20 scheduled review. A liability could be recognized for the benefits to be received by the individual
21 for the period of time up until the next scheduled review. If the next review results in continuation
22 of benefits, a new liability would be estimated for the benefits to be received by the individual for
23 the period of time up until the next scheduled review

24
25 Summary of Characteristics

26 At the point of review (resulting in continuation of benefits):

- 27 a. There is a present duty or responsibility to one or more other entities that entails settlement
28 by probable future transfer or use of assets at a specified or determinable date, on
29 occurrence of a specified event, or on demand. At the time that a review is performed by
30 SSA that results in the continuation of benefits, an expectation on the part of the SSI
31 participant that benefit payments will continue as long as the participant continues to meet
32 eligibility requirements and performs under the terms of the program is strengthened.
- 33 i. Eligibility – Conditions specified by current law to qualify the participants to receive
34 a specific benefit for a specific period of time have been met. At the point of review
35 resulting in continuation of benefits, the participants are proven to meet the
36 eligibility criteria to enable them to continue receiving payments under the SSI
37 program.
- 38 ii. Performance – The participants are performing under the terms of the program.
39 This is proven through a review performed by SSA that results in a continuation of
40 benefits.
- 41 b. The present duty or responsibility obligates the government under current law, leaving it
42 with little or no discretion to avoid the future sacrifice; and
- 43 c. The transaction or event has already happened at the point of review performed by SSA
44 that results in a continuation of benefits.
- 45
46
47
48
49

¹⁹ Table IV.B6. 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/Participants.html#wp439058>

**Research into the Application of the Liability Definition
Alternatives for Discussion
February 17, 2005**

1 8. *Payment/Due and Payable*

2
3 Discussion

4 Under the current liability standards set forth in SFFAS 5, becoming due and payable serves as
5 the obligating event for liability recognition. This obligating event occurs when absolutely all
6 conditions necessary for payment have been met. At the point of due and payable, the individual
7 has met all eligibility requirements for the month under consideration and is due benefits for that
8 one month. These benefits are legally enforceable under current law if unduly withheld.

9
10 Summary of Characteristics

11 At the point of due and payable:

- 12 a. There is a present duty or responsibility to one or more other entities that entails settlement
13 by probable future transfer or use of assets at a specified or determinable date, on
14 occurrence of a specified event, or on demand. At the time that a payment is due and
15 payable, an expectation on the part of the SSI participant that he will receive that payment
16 is backed by the legal enforceability of that expectation if the benefits are unduly withheld.
- 17 i. Eligibility – Conditions specified by current law to qualify the participants to receive
18 a specific benefit for a specific period of time have been met. At the point of due
19 and payable, all conditions necessary for payment (eligibility requirements) have
20 been met.
- 21 ii. Performance – The participants are performing under the terms of the program.
- 22 b. The present duty or responsibility obligates the government under current law, leaving it
23 with little or no discretion to avoid the future sacrifice; and
- 24 c. The transaction or event has already happened at the point of due and payable.

25
26
27 * * * * *

28
29 The two alternative obligating events to due and payable that seem plausible based on the discussion
30 above are:

- 31
32 - Determination (of eligibility)
33 - Review (resulting in continuation of benefits)

34
35 It is important to note that a Board member's preference for either of the two alternative obligating
36 events above would have no bearing on the point at which benefits become legally enforceable. As
37 with Social Insurance benefits, no payments are legally enforceable under current law until due and
38 payable, regardless of when they are first recognized in financial reports. Agreeing on an earlier
39 obligating event will not enable individuals to lay claim to benefits before all eligibility criteria have
40 been met. However, accruing an expense and accumulating a liability on the Federal balance sheet,
41 which is a primary means of communicating how the government's financial position has improved or
42 deteriorated over the period, as individuals are accepted into the SSI program would focus
43 management's attention on the economic costs of the promises being made.

**Research into the Application of the Liability Definition
Alternatives for Discussion
February 17, 2005**

1
2 **Staff Recommendation**

3
4 *Obligating Event*

5
6 Staff believes that, if one accepts the argument of “little or no discretion to avoid the present
7 obligation” as being the essence of a liability, or alternatively, “Under existing conditions, the federal
8 entity is required to settle the obligation at a specified or determinable date, when a specified event
9 occurs, or on demand,” there is a strong argument for the point of eligibility determination as being a
10 valid alternative obligating event to due and payable for SSI. Once an individual is determined to be
11 eligible for the program under current law, the individual will continue receiving benefits until such time
12 that he is no longer eligible. While SSI’s annual report states that future SSI program participation will
13 depend on a variety of difficult-to-predict factors including the performance of national and local
14 economies, distribution of personal income, the prevalence of disability in the general population, and
15 the determination of disability as defined by the Social Security Act, estimates are possible. In fact,
16 many of these factors already affect the estimates underlying the current Statement of Social
17 Insurance.

18
19 Since the Board did not feel that many of the characteristics of a present obligation that staff put forth
20 at the December meeting for Social Insurance (i.e., permanence of funding and permanence of
21 eligibility) were required for a present obligation, staff has focused on the eligibility factors that
22 ultimately lead to payments. As in the OASDI program, the law and associated regulations provide a
23 framework for determining eligibility and recourse if benefits are unlawfully withheld. Staff believes
24 that once an individual has been determined eligible to receive SSI benefits and is “accepted into the
25 program,” a present obligation to sacrifice resources in the future is created. The obligation continues
26 until a disqualifying event occurs. Disqualifying events are not within the control of the government.
27 These include recovery from the disability, new technology that causes some disabilities to result in
28 less loss of income, new sources of income to the disabled (e.g., inheritance) and others. Thus, the
29 government is left with little or no discretion under current law to avoid future payments to eligible
30 individuals. Whether a collective estimate of the lifetime benefits of individuals as a group can be
31 made will be addressed as the Board considers measurement issues and options.

32
33
34 **Do you agree with staff’s recommendation of the obligating event for SSI being**
35 **at the point of eligibility determination?**
36
37

38 *Measurement*

39
40 On the following page, to aid the Board members in visualizing how a liability estimate could be
41 prepared, staff presents its own rough guesstimate of lifetime benefits for all current SSI participants
42 who are meeting eligibility requirements and performing under the terms of the program as of year-
43 end based on the selection of “Determination (of eligibility)” as the obligating event. This information
44 is presented for discussion purposes only; specific measurement options will be recommended once
45 the Board reaches a conclusion on the appropriate obligating event for SSI.

**Research into the Application of the Liability Definition
Alternatives for Discussion
February 17, 2005**

Rough Staff Guesstimate of SSI Liability Amount

1
2

# Participants Deemed Eligible as of Sept 30	X	Est # years to Collect Benefits	X	Est Annualized \$ Benefit/Participant	=	SSI Liability
---	----------	--	----------	--	----------	----------------------

6

Category by Age Group	Participants Projected for 2004 (in thousands) ²⁰	Estimated Number of Years Participant Will Collect Benefits ²¹ (in years)	Average Annualized Benefit Per Participant (in dollars) ²²	Total Lifetime SSI Benefits to be Paid to Current Participants (in thousands)
Blind or Disabled				
0-17	998	45	6,912	\$310,417,920
18-34	1,049	36	6,696	252,867,744
35-49	1,369	24	6,312	207,387,072
50-64	1,496	17	5,988	152,286,816
65-74	519	8	5,616	23,317,632
75 or older	207	5	5,352	5,539,320
Total Blind or Disabled	5,639			\$951,816,504
Aged				
65-74	420	10	5,712	\$23,990,400
75 or older	697	7	5,448	26,580,792
Total Aged	1,117			\$50,571,192
Total	6,756			\$1,002,387,696

7
8
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15

Staff prepared a rough guesstimate of the benefits that will be paid over the lifetime of current SSI participants. Staff's estimate yields a liability of \$1 trillion. This is approximately two and a half times the 2005 estimated annual appropriation of \$38.8 billion and 31 times the monthly due and payable amount. A footnote disclosure such as the above table could be prepared to support a liability number beyond the due and payable amount if the Board felt that such recognition was warranted. A one-time full recognition would be required in the first year with future year recognition of only the upward or downward changes in the liability.

²⁰ Table IV.B6. 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/Participants.html#wp439058>

²¹ Rough staff guesstimate based on age category, percent of disability continuations, and life expectancy (adjusted for dropouts due to deaths and no longer meeting eligibility requirements)

²² Rough staff guesstimate based on average SSI payments of \$426/month in January 2004 and changes in the levels of consumer prices.

Appendix 1 – SSI Fact Sheet

Supplemental Security Income (SSI)

Supplemental Security Income (SSI) is a Federal income supplement program administered by the Social Security Administration but funded by general tax revenues (not Social Security taxes):

- It is designed to help aged, blind, and disabled people (adults and children), who have little or no income; and*
- It provides cash to meet basic needs for food, clothing, and shelter.*

Background

The Supplemental Security Income (SSI) program is a nationwide Federal assistance program administered by the Social Security Administration (SSA) that guarantees a minimum level of income for needy aged, blind, or disabled individuals.²³ Congress established the SSI program in 1972, with payments beginning in January 1974. SSI replaced the former Federal-State programs of Old-Age Assistance (OAA), Aid to the Blind (AB), and Aid to the Permanently and Totally Disabled (APTD) in the 50 States and the District of Columbia. Residents of the Northern Mariana Islands became eligible for SSI in January 1978.²⁴

Unlike Social Security benefits, SSI benefits are not based on your prior work or a family member's prior work. SSI is financed by general funds of the U.S. Treasury--personal income taxes, corporation taxes and other taxes. Social Security taxes withheld under the Federal Insurance Contributions Act (FICA) do not fund the SSI program. In most States, SSI beneficiaries also can get Medicaid (medical assistance) to pay for hospital stays, doctor bills, prescription drugs, and other health costs. SSI beneficiaries may also be eligible for food stamp benefits in every State except California. In some states, an application for SSI benefits also serves as an application for food assistance. SSI benefits are paid on the first of the month for the entire month. To get SSI benefits, one must be disabled, blind, or at least 65 years old and have "limited" income and resources. In addition, to get SSI benefits, one must:

- be a resident of the United States;
- not be absent from the country for more than 30 days; and,
- be either a U.S. citizen or national, or in one of certain categories of eligible non-citizens.

The medical standards for disability are the same in both programs for individuals age 18 or older. There is a separate SSI definition of disability for children under age 18. Both programs pay monthly benefits. SSA administers both programs.²⁵

The framers of the SSI program chose SSA to administer the SSI program because the basic system for paying monthly benefits to a large number of individuals was already in place in the form of the Social Security program, and SSA had a long-standing reputation for dealing with the public in a fair and humane manner.²⁶

²³ Section II. of the 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/ssiTOC.html>

²⁴ Section I. of the 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/ssiTOC.html>

²⁵ Understanding Supplemental Security Income SSI Overview at <http://www.socialsecurity.gov/notices/supplemental-security-income/text-over-ussi.htm>

²⁶ Section III.F of the 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/ssiTOC.html>

Appendix 1 – SSI Fact Sheet

1 **Application Process** ²⁷

2
3 Individuals can apply for SSI benefits at any one of the approximately 1,300 SSA field offices around
4 the country or through SSA teleservice centers. The claims process includes the application
5 interview, the obtaining of necessary evidence and documentation, and the adjudication of the claim.
6 Although many of the eligibility requirements for the Social Security program and the SSI program
7 are different, the application process is very similar. Many times, individuals file for benefits under
8 both programs at the same time.

9
10 SSA corroborates information provided by applicants for SSI through independent or collateral
11 sources. Generally, the basic responsibility for obtaining evidence lies with the claimant, although
12 SSA often gives advice and assistance on ways to obtain the needed information. Because of the
13 special circumstances of the SSI population (for example, financial need, old age, or illness), SSA
14 makes special efforts to assist claimants in obtaining the necessary proofs. With regard to disability
15 and blindness claims, SSA makes determinations of all of the nonmedical eligibility factors while
16 each State's Disability Determination Services (DDS) makes determinations of the medical eligibility
17 factors.

18
19 Applicants and recipients are required to report events and changes of circumstances that may
20 affect their SSI eligibility and benefit amounts. Such reports are required, for example, when an
21 individual has a change in the amount of his/her income or resources, changes living arrangements,
22 or leaves the United States. Failure or delay in submitting a required report can result in a penalty
23 being assessed against the individual's SSI benefit. The penalty is \$25 for the first such failure or
24 delay, \$50 for the second such failure or delay, and \$100 for each subsequent failure or delay.

25 26 27 **Determination of Eligibility** ²⁸

28
29 An individual who is:

- 30 • aged (age 65 or older);
- 31 • blind; or,
- 32 • disabled.

33
34 And, who:

- 35 • has limited income;
- 36 • has limited resources;
- 37 • is a U.S. citizen or one of certain categories of aliens;
- 38 • is a resident of one of the 50 States, including the District of Columbia, and the Northern
39 Mariana Islands;
- 40 • is not absent from the country for a full calendar month or more than 30 consecutive days;
- 41 • agrees to apply for any other cash benefits for whom he or she may be entitled; and,
- 42 • meets certain other requirements.

43
44 may be eligible to receive SSI benefits.²⁹

45
46 Limited income includes money earned from work; money received from other sources, such as
47 Social Security, worker's compensation, unemployment benefits, Department of Veterans' Affairs,
48 friends or relatives; and free food, clothing, or shelter.³⁰

²⁷ Section III.F.1. of the 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/ssiTOC.html>

²⁸ Section III.F.2. of the 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/ssiTOC.html>

²⁹ Understanding Supplemental Security Income SSI Eligibility Requirements at <http://www.socialsecurity.gov/notices/supplemental-security-income/text-eligibility-ussi.htm>

Appendix 1 – SSI Fact Sheet

Resources include items owned such as cash; bank accounts; land; vehicles; personal property; and life insurance and are subject to the following limits:

Individual	\$2,000
Couple ³¹	\$3,000

Examples of individuals that are **not** eligible to receive SSI include, but are not limited to:

- Fugitive felons;
- Individuals currently in prison or jail;³²
- Individuals who sacrifice resources in order to meet resource limitations;
- Non-citizens who fail to meet alien status; or,
- Someone who is absent from the country for more than 30 consecutive days.

It is important to note that potential recipients of SSI must also apply for all other benefits or payments for which they may be eligible such as pensions or Social Security.

SSI applications have no retroactivity and become effective in the month after the month of filing or the month after all eligibility requirements are met, whichever is later. In other words, benefits are only paid from the point of determination forward.³³ Eligibility for benefits is determined on a current monthly basis. The amount of the monthly benefit generally is determined using income in the second month preceding the month for and in which the benefit is paid (a method SSA calls “retrospective monthly accounting”). However, at the start of a period of eligibility or re-eligibility, the benefits for the first and second months are both determined using the income received in the first month. (One-time, nonrecurring income would only be counted in the month received.)

SSI recipients are required to have their nonmedical eligibility factors redetermined periodically, generally every 1 to 6 years depending on their specific situation. In addition to these nonmedical reviews, medical reviews are conducted on disabled or blind recipients in order to determine if they continue to be disabled or blind. For administrative efficiency the medical reviews are done most often on those disabled or blind recipients whose medical conditions are considered likely to improve. Medical reviews are required for disabled or blind recipients, for example, under the following circumstances:

- When earnings of recipients exceed the substantial gainful activity level;³⁴
- At least once every 3 years for recipients under age 18 whose medical conditions are considered likely to improve;
- Within 12 months after birth for recipients whose low birth weight is a contributing factor material to the determination of their disability unless the Commissioner determines that the impairment is not expected to improve within 12 months of the child's birth; and
- Within 1 year after attainment of age 18 and using the adult eligibility criteria, for recipients whose eligibility for SSI benefits was established under the disabled child eligibility criteria.

³⁰ SSA does not count all kinds of income for SSI, but most income that it does count reduces the SSI benefit amount.

³¹ A couple means two SSI-eligible persons residing together.

³² It is interesting to note that for individuals who are later determined to have been wrongfully convicted and subsequently released from prison, those who were receiving Social Security payments prior to entering prison receive full reinstatement of payments that were withheld during imprisonment, while those who were receiving SSI payments prior to entering prison do not receive any such reinstatement. See “Questions About Prisoner Rules” Answer ID #1240 at www.ssa.gov.

³³ Social Security Handbook Chapter 21, § 2104

³⁴ Medical review cannot be initiated while the SSI recipient is “using a ticket” under the Ticket to Work program.

Appendix 1 – SSI Fact Sheet

1 Individuals are required to report a change that could affect their eligibility status within 10 days after
2 the month in which the change occurs. The various changes that individuals are required to report
3 are listed on the SSI web site at <http://www.ssa.gov/pubs/11011.html#part2>. If a review determines
4 that a recipient is no longer eligible and has received payments to which he is not entitled, collection
5 of the overpayment will be initiated provided that the average cost of recovering the overpayment
6 equals or exceeds the amount of the overpayment. Furthermore, under certain conditions (e.g., in
7 consideration of an individual's financial situation), a waiver of the entire overpayment or the balance
8 due on an overpayment can be approved.³⁵

9
10 There is a benefit eligibility screening tool (BEST) available on the SSA web page.³⁶

11 12 13 **Payment of Benefits**³⁷

14
15 In January 2004, 6.9 million individuals received Federally-administered monthly SSI benefits
16 averaging \$426.³⁸ SSI benefits generally are paid on the first day of each month. If the first of the
17 month falls on a weekend or legal public holiday, benefit payments are delivered on the first day
18 preceding such Saturday, Sunday, or holiday. While SSA strongly encourages all SSI beneficiaries
19 to receive their monthly benefits by direct deposit, benefit payments are also made by check if
20 individuals do not wish to have their benefits sent directly to a financial institution. Monthly benefit
21 payments include both the Federal SSI and State amounts if the recipient lives in a State in which
22 SSA administers the State supplementary payment. Eligible couples generally receive their monthly
23 benefits in one payment.

24
25 The basic monthly SSI payment is the same nationwide and is adjusted annually to reflect changes
26 in the level of consumer prices. Effective January 2005, it is:

- 27
28
- \$579 for one person; or
 - \$869 for a couple.
- 29
30

31 Not everyone gets the same amount. A participant who lives in a state that supplements the federal
32 SSI payment would receive more than a participant who lives in a state that either does not
33 supplement the federal SSI payment or supplements it at a lower rate. A participant may receive
34 less if he or his family has other income. Also, the location of one's household and other household
35 members can determine if one qualifies for SSI and can make a difference in the amount of the SSI
36 payment.³⁹

37
38 Recipients must be informed in writing in advance of adverse actions SSA plans to take and must be
39 given the opportunity to request that their benefits continue pending a decision at the first level of
40 appeal. Recipients can qualify for payment continuation when they appeal an adverse action within
41 10 days of receiving the advance notice. Slightly different rules apply to medical cessation cases.
42 When appealing medical cessation cases, individuals may elect to have their benefits continued at
43 both the reconsideration and hearing levels of appeal.⁴⁰ There is a detailed discussion of an
44 individual's right to appeal decisions made about their eligibility for SSI in the Social Security
45 Handbook Chapter 21, §§2192-2195.

336
³⁵ Social Security Handbook Chapter 19, § 1920 and Social Security "Questions about Checks and Payments" Answer ID
336 at www.ssa.gov

³⁶ BEST is located at <http://best.ssa.gov/>.

³⁷ Section III.F.3. of the 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/ssiTOC.html>

³⁸ Section II.A. of the 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/ssiTOC.html>

³⁹ "You May be Able to Get Supplemental Security Income" pamphlet at <http://www.ssa.gov/pubs/11069.html>.

⁴⁰ Section III.F.5. of the 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/ssiTOC.html>

Appendix 1 – SSI Fact Sheet

1 A new claimant who faces a financial emergency, and for whom there is a strong likelihood to be
2 found eligible, may receive up to one month's SSI benefits, the Federal payment amount plus any
3 applicable State supplement. The amount paid is recovered from later SSI payments (in full from
4 the first payment or in increments over no more than a six-month period, depending upon the
5 circumstances). However, if the claim is subsequently not allowed because of not finding disability
6 or blindness, repayment would be waived. If the claim is disallowed for other reasons, the amount
7 paid would be an overpayment and processed as such.⁴¹

8 9 10 **Funding**

11
12 The SSI program is typically referred to as a mandatory appropriation or appropriated entitlement.⁴²
13 SSI benefits are financed from the general funds of the United States Treasury. They are not paid
14 out of the Social Security or Medicare trust funds. States that supplement the Federal benefits make
15 these supplemental payments from State funds.⁴³ Appropriations “remain available until expended”
16 (no year status); however, any funds provided to a State in the current fiscal year and not obligated
17 by the State during that year shall be returned to the Treasury.

18
19 There are two types of State supplementary payments: mandatory and optional. If a participant was
20 converted to SSI from a State assistance program, the State must supplement the SSI amount. The
21 amount of the supplement is what is necessary to provide the participant with the same level of
22 payment he had before he was converted to SSI. These mandatory payments may be issued
23 directly by the State or the State may elect Federal administration where the Federal Government
24 combines the mandatory payment and the SSI payment into one payment.

25
26 In addition, any State may make an agreement with SSA to administer its supplementation program.
27 SSA would pay the State supplementary amounts along with the basic SSI benefits. Each month,
28 SSA charges the State an administration fee for every State supplementary payment issued during
29 that month. For fiscal year 2004, the fee is \$8.77 per payment. The rate will remain \$8.77 per
30 payment until SSA decides upon an appropriate rate for later years.⁴⁴

31
32 All of the states (and DC) listed below have an agreement with SSA to pay supplementary payments
33 on their behalf for an administrative fee:⁴⁵

- 34
35 – California
36 – Delaware
37 – The District of Columbia
38 – Hawaii
39 – Iowa*
40 – Massachusetts
41 – Michigan*
42 – Montana

⁴¹ Section III.F.7. of the 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/ssiTOC.html>

⁴² Per OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, entitlement authority means the authority, generally provided by an authorizing statute, to make payments (including loans and grants) to persons or non-federal entities who meet the requirements established by law. Examples of entitlement authority include benefit payments for Social Security, Medicare, and unemployment insurance. Some programs, such as the food stamp program, veteran's compensation, and Medicaid, are classified as entitlements even through they are funded by appropriations acts, because the authorizing statute for the program obligates the United States to make payments. These are referred to as mandatory appropriations or appropriated entitlements.

⁴³ Social Security Handbook Chapter 21, § 2105

⁴⁴ Social Security Handbook Chapter 21, § 2106

⁴⁵ Understanding SSI – SSI Benefits at <http://www.ssa.gov/notices/supplemental-security-income/text-benefits-ussi.htm>

Appendix 1 – SSI Fact Sheet

- 1 – Nevada
- 2 – New Jersey
- 3 – New York*
- 4 – Pennsylvania
- 5 – Rhode Island
- 6 – Utah
- 7 – Vermont*

8
9 * Dual administration State. Both Social Security and these States administer some State
10 supplements.

11
12 Most States provide optional supplementary payments to SSI recipients. These payments vary from
13 State to State and reflect differences in regional living costs. Supplementary payments may be made
14 directly by the State or combined with the SSI payment (by mutual agreement of SSA and State
15 agencies).⁴⁶

16
17 The following states do not pay a supplement to people who receive SSI benefits:

- 18
- 19 – Arkansas
- 20 – Georgia
- 21 – Kansas
- 22 – Mississippi
- 23 – Tennessee
- 24 – West Virginia
- 25 – Northern Mariana Islands

26
27 SSI's annual funding requirements are estimated and projected over a period of 25 years using an
28 actuarial model that disaggregates the basic population by single year of age and gender in order to
29 better understand and project the various transitions in and out of payment status. In addition,
30 movements out of payment status are further examined by reason for such movements. The
31 indexation of the Federal benefit rate depends on a projection of the Consumer Price Index over the
32 same 25-year period. Population flows are projected on a calendar-year-age basis, with activity
33 throughout a given year tabulated according to age at the end of the calendar year. There were
34 approximately seven million SSI recipients in current-payment status as of December 31, 2004.⁴⁷

⁴⁶ Social Security Handbook Chapter 21, § 2181

⁴⁷ Section IV. of the 2004 Annual Report of the SSI Program, <http://www.ssa.gov/OACT/SSIR/SSI04/ssiTOC.html>