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President Obama's Fiscal Year (FY) 2016 Budget

On Monday, February 2, 2015, President Obama released his Fiscal Year (FY) 2016 Budget. The record breaking \$4 trillion budget proposal, which boosts domestic and defense spending by 7 percent, ignores the budget caps set by the Budget Control Act of 2011. The President offsets the additional spending by closing tax loopholes that benefit the rich and trimming certain discretionary and mandatory programs.

More specifically the so-called, "sequester replacement plan," the President proposed trims mandatory and discretionary programs by some \$600 billion over 10 years, with the large majority of that savings coming from health related proposals. In addition, the plan raises nearly \$640 billion in revenue by way of new taxes, through the limiting of itemized deductions and other tax preferences to 28 percent, as well as requiring millionaires to pay no less than 30 percent of income in taxes, which many call the "Buffet rule."

The plan by the President would do away with the sequester established under the Budget Control Act of 2011 by reducing the federal deficit by roughly \$1.8 trillion over 10 years. Congressional Republicans have already said the President's Budget is "dead on arrival." Mainly because of the tax increases, and also because it carries a \$474 billion deficit score. This deficit is not projected to be just in FY 2016, but extends into each of the next ten years as well.

From a policy perspective, the President's Budget aims to boost middle- and low-income earners by helping in the areas of education, child care, job training, and investing in infrastructure, just to name a few.

Also of note, the President's Budget offers a plan to address the projected shortfall in the Social Security Disability Insurance Trust Fund, essentially by moving payroll tax receipts from the main Social Security Retirement Trust Fund. This is a plan that has largely been rejected by Congressional Republicans. In the early days of this Congress, House Republicans led efforts to pass a rule that puts in place a roadblock making it difficult for Congress to move money from Social Security's Retirement Trust Fund to the Disability Insurance Trust Fund to help rebalance it. As a result, it seems highly unlikely the President's plan will be going anywhere.

President Obama’s Fiscal Year (FY) 2016 Budget – Social Security Administration (SSA)

The President’s FY 2016 Budget recommends \$12.513 billion for SSA’s Limitation on Administrative Expenses (LAE) account, an increase of \$707 million or 6% over the FY 2015 enacted level of \$11.806 billion.

FY 2016—SSA Budget Forecast (Dollars in Millions)					
	FY 2012 Enacted	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Enacted	FY 2016 President's Budget
SSA’s LAE Funding	\$11,446	\$11,046	\$11,697	\$11,806	\$12,513

SSA Budget documents indicate funding will be used to improve service and combat fraud waste and abuse. Specifically for:

- Improving and Modernizing Customer Service by Including Resources to Reduce 1-800 Number Wait Time, Staff Field Offices, and Provide More Online Services.
- Addressing Increasing Wait Times for Disability Appeals by Reviewing the Hiring Process for Administrative Law Judges.
- Increasing Cost-Effective Program Integrity Work by Establishing a Dependable Source of Funding.
- Helping People with Disabilities Remain in the Workforce by Testing Innovative Strategies.

As for Program Integrity (PI), the Budget proposes \$1.439 billion (\$273 million for the Program Integrity Base, \$1.166 billion for the Program Integrity Cap Adjustment) which would allow the agency to conduct 908,000 full medical CDRs and 2.622 million SSI redeterminations in FY 2016. SSA had originally planned to complete 888,000 medical CDRs and 2.622 million redeterminations in FY 2015, but because of limitations in the FY 2015 appropriations language (see NCSSMA Legislative Report 15-2014 for additional information) SSA will instead complete 790,000 medical CDRs and 2.225 million redeterminations.

Also of interest, is the Commissioner’s Budget Request which is required by the “Social Security Independence and Program Improvements Act of 1994.” In accordance with the Act, SSA’s Commissioner prepares an annual budget for SSA which is submitted (without revision) to the Congress at the same time the President’s Budget is transmitted to Congress.

The Commissioner’s FY 2016 Budget included \$12.670 billion for total administrative discretionary resources: \$12.516 billion for SSA administrative expenses; \$44 million for research; and \$110 million for the Office of the Inspector General.

In past fiscal years greater differences have existed between the Commissioner’s Request for SSA and that of the President. The two recommendations are very comparable for FY 2016.

Federal Employee Issues

On the federal employee front, the President's Budget contained a number of provisions of interest. First, the Budget calls for a 1.3 percent raise for both civilian federal employees as well as members of the military. Federal employees saw a three-year pay freeze from 2011-2013, and in each of the last two years have seen a 1 percent increase. This proposed increase is the largest proposed since President Obama's very first Budget.

In addition, the Budget supports increasing flexibility for civilian federal workers by way of paid parental leave and phased retirement. The Budget restated the President's proposal to provide federal workers paid leave for either child birth, an adoption, or in other child related circumstances. The week prior to the release of the President's Budget, House Democrats reintroduced a bill that would give federal employees becoming parents up to six weeks of paid leave. Also, President Obama recently signed a Presidential Memorandum which allows federal employees to use up to six weeks of paid sick leave in connection with the birth and or adoption of a child or care of a mother after the birth. If the proposed law is passed federal workers should be able to take up to 12 weeks of paid leave.

The Presidential Memorandum directs the Office of Personnel Management (OPM) to provide agencies with guidance on the implementation of the Presidential Memorandum within 90 days. Agencies will then have 60 days to implement OPM's guidance. As more details on these proposed changes are released we will share them.

President Obama's Budget proposal also pushes phased retirement, despite the fact that no agency has implemented it yet, and some have said they might never offer the benefit. Phased retirement would allow eligible federal employees to work 20 hours per week, receiving half their pay and half of their retirement annuity.

On a much grander scale, the President's FY 2016 Budget called for a total overhaul of the federal civilian service system. The Budget noted that the General Schedule (GS) classification system is antiquated, and that hiring, firing, and promotion and compensation policies no longer work for a modern federal workforce. Under the portion of the President's Budget titled, "Strengthening the Federal Workforce," it states federal employees have endured serious restrictions during his administration and deserve better. In a recent speech to Department of Homeland Security employees, President Obama promised to fight for civil servants.

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