

12/12/97

Steve Wornath

Jan 21st/22nd
Town Hall
Advisory Board

plastic
Mtg. re: SS cards

plastic card

① Sen. Monigan

wants a plastic card

help provide a greater sense of public confidence
in the S.S. system

10 million replacement cards / year.

Fee for replacement will help.

— Public integrity / fraud issue

growing concern about identity theft

Q: Just having the (#) is the theft — not having the card

A: Fee would go toward fraud abatement
(people will look to SSA to reduce fraud)

7 or 8 options — variety of security features
w/ the card

SS is looking for ways to raise \$

No fee for marriage name change @
initial card. or adoption —

No poverty index.

Divorce? natural disasters?

Replacement schedule (?) (so that everyone
~~wants~~ gets one over
time)

Bond paper → plastic
pressure to continue to enhance
and do different things

Remember: This could be a first step

Is ^{rg's} \$ separate from the substance?
a little of both

want \$ + general commitment
that a plastic card
is good for the program.
Good thing.

Jack Sma

5-7759

Barbara looking @ fee
plastic card

FAX COVER

SSA

**Income Maintenance Branch**

Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503



To:

Leann Shimabukuro + Julie Fernandez

Organization:

Fax Number:

From:

Jack Smalligan

Date/Time:

Number of Pages: Cover + _____

Notes:

Income Maintenance Fax Number: (202) 395-0851
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SOCIAL SECURITY

Office of the Commissioner

DEC 4 1997

The Honorable Franklin D. Raines
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Raines:

Frank

This letter is in response to the budget passback and amends the November 14, 1997 budget submission as it outlines our approach to dealing with the shortfalls in discretionary funding for fiscal year (FY) 1999 as well as for the outyear budget targets provided for the Social Security Administration (SSA).

SSA supports the President's commitment to a balanced budget. We acknowledge that, to do our part in Governmentwide cost cutting efforts and to fulfill our mission, we need to become more efficient. Even though our FY 1999 budget already includes almost 8,000 SSA workyears of savings (compared to our FY 1996 levels) from initiatives and other productivity improvements, the work we have to do requires my appeal for an overall increase in our administrative funding level of \$437 million.

We are proposing \$222 million in new user fees in FY 1999, which are not subject to the discretionary caps. Additionally, we are requesting \$115 million for the restoration of the above-the-discretionary-caps funding to implement the Agency's planned redetermination initiative. Only \$100 million of the total \$437 million requested increase is subject to the discretionary spending caps.

Within our overall administrative budget, we are directing additional resources toward program integrity activities. We are proposing an offsetting shift among the amounts available within the passback to provide additional funding for the Office of the Inspector General (OIG). A similar shift will direct additional funding to SSA's Research and Demonstration activities.

A discussion of each of the elements comprising this approach follows.

OPTIONAL FORM NO. 10 (7-97)

FAX TRANSMITTAL

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TO	<i>Richard Green</i>	FROM	<i>DALE Soppert</i>
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SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

SOCIAL SECURITY ADMINISTRATION

PROPOSAL TO CHARGE USER FEE FOR REPLACEMENT SOCIAL SECURITY CARDS

Current Law

Social Security account number cards are issued under the authority of section 205(c)(2) of the Social Security Act (the Act). Section 205(c)(2)(G) specifies "[t]he Commissioner of Social Security shall issue a social security card to each individual at the time of the issuance of a social security account number to such individual." The Act does not directly address issuing replacement cards.

Cards are printed on banknote paper stock as required by section 205(c)(2)(G). Cards issued to aliens admitted on a temporary basis who are authorized to work in the U.S. include a legend that states: *Valid For Work Only With INS Authorization*. Cards issued to non-resident aliens who are not authorized to work in the U.S. include a different legend: *Not Valid for Employment*.

The administrative costs of producing social security cards are funded from the Social Security and Medicare trust funds. None of the administrative costs of social security cards are funded from general revenues. Without express legislative authority, user fees are credited to general revenues, per Office of Management and Budget Circular A-25.

Proposal

Beginning in January 1999, SSA proposes to issue a tamper-resistant plastic card when a number holder requests an original or replacement social security card. Further, SSA proposes to charge a user fee to process requests for replacement social security cards unless the number holder is reporting a name change.

The amount of the fee would be set to enable SSA to recover all of the administrative costs of issuing replacement cards, including the new costs of processing fees. Fees would be assessed and paid prior to issuance of a replacement card. Requests for original social security cards would not be subject to a fee.

The legislation should specify that fees thus collected be credited to the trust funds. In addition, \$1 of the fee collected for every replacement card issued would be earmarked for a SSN Fraud Fund, which would finance additional activities to combat fraud and abuse involving social security numbers.

Rationale

Replacement social security cards are issued upon request of the number holder or other appropriate applicant (e.g., parent for minor child), not pursuant to any requirement of law. After the issuance of the original card, any replacement activity could reasonably be viewed as a service beyond the requirements of the Act. However, a request for a card after an individual changes his/her name (e.g., in marriage) would not involve a fee.

Fee Amount

The fee would be based on the cost of producing the card, plus the cost of administering/collecting the user fee. Based on FY 1999 budget information, a tamper-resistant social security card would cost about \$29, including the cost of processing the request for a replacement card (interviewing time, contracted card production costs, headquarters staff

support, etc.), as well as the costs of administering a user fee. A \$1 fee per replacement card would be assessed to fund additional anti-fraud investigative activities.

Revenues from User Fees

SSA expects to issue 9 million replacement cards, 1.5 million corrected cards for name changes, and 6.1 million original social security cards in FY 1999. The proposal for charging user fees would provide substantial gross revenue, based on a user fee of \$30 per replacement card. However, SSA's current appropriation level would not support the additional costs of plastic card production nor the user fee process itself (one does not now exist). Net revenue generated by the user fee is significantly reduced, after deducting these new costs plus the costs of additional investigative activities and producing plastic cards for all types of requests.

Based on the aforementioned \$29 cost of producing a plastic card and \$1 fee for investigative activities, a fee of \$30 per replacement card would generate annual revenues of \$270 million. Offsetting costs of \$100.4 million beyond the base, would result in net annual revenues of \$169.6 million. FY 1999 costs and revenues are lower based on a January 1999 implementation date.

Impact of User Fee for Replacement Social Security Cards
(Dollars in Millions)

\$30 Fee	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	5-Year Total
New Costs Above Base	\$82.5	\$100.4	\$100.4	\$100.4	\$100.4	\$484.1
Gross Revenue Collected	(202.5)	(270.0)	(270.0)	(270.0)	(270.0)	(1,282.5)
Net Impact	(\$120.0)	(\$169.6)	(\$169.6)	(\$169.6)	(\$169.6)	(\$806.6)

Impact on the Public

The burden of paying for this service would shift from the trust funds, which are supported by dedicated payroll and self-employment income taxes paid by 150 million working people, to the 9 million individuals who request replacement cards.

A fee of \$30 is not expected to substantially reduce demand for replacement social security cards. In some instances, applicants for replacement cards may choose to forgo getting a new card because of the fee.

Applicants could also decline to pay for a replacement card and instead ask for a special notice (e.g., verification letter) to satisfy the ultimate need for action. In these instances, SSA would incur the costs, with no corresponding user fee collected.

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Social Security Administration

Report To Congress
On Options for
Enhancing the
Social Security
Card

