



Committee On Finance

Max Baucus, Chairman

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For Immediate Release
Thursday, October 4, 2001

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**Statement of Senate Finance Committee Chairman Max Baucus
Hearing On the Nomination of Jo Anne Barnhart to be Commissioner of the
Social Security Administration
October 4, 2001**

This morning, we consider the nomination of Jo Anne Barnhart to be the Commissioner of the Social Security Administration.

Before I go any further, I want to say that given the tragic events of September 11th, the Social Security Administration (SSA) has risen to the occasion. By being extremely flexible, SSA has been able to get survivor and disability benefits to family members and injured workers as quickly as possible. I applaud their efforts.

Social Security is a critical program for seniors, disabled people, their families, and for the families of workers who have died. For example, if we did not have Social Security today, 48% of our seniors would be in poverty.

On a more sour note, however, although Social Security will continue to run yearly budget surpluses for quite a while, its long-run financial situation needs to be fixed. And the sooner it is fixed the better.

President Bush has a proposal to change the way Social Security is financed. He favors diverting part of the Social Security payroll tax into private savings accounts, and he has convened a Commission to flesh out the details of such a proposal.

I have very serious concerns about such a proposal, because it would lead to deep cuts in retirement income for our Seniors. A study done for The Century Foundation by four top economists shows that diverting 2 percentage points of payroll taxes into private accounts would result in a 20% drop in retirement income for all those under age 55 today, even *after* taking account of the income from the private accounts.

Moreover, private accounts are subject to all the risks of the stock market. The recent huge declines in stock prices should give us pause about using the value of shares in stocks in

place of guaranteed Social Security benefits.

That said, the Social Security Administration has a number of other major challenges facing it over the next decade.

Now, Ms. Barnhart has been a member of the Social Security Advisory Board since 1997. During that time, this non-partisan board has produced many valuable reports that have catalogued the daunting challenges facing SSA now and in the years ahead, and made recommendations on how to meet these challenges. Fortunately, Ms. Barnhart's membership on the Board means she is already extremely familiar with the problems facing the Social Security Administration.

The Advisory Board's reports indicate that the disability programs of Social Security have many problems that need immediate attention. One of these problems is that it can take way too much time for applicants to get through all the layers of appeal in order to get their benefits.

In my home state of Montana, it is not uncommon for individuals to wait two to three years for a final decision on their disability benefits. Of course, during this time, these individuals have no earnings. This puts them and their families into true hardship. This is not happening just in Montana, but all over the country. This is totally unacceptable.

In Montana, we have found that part of the problem creating these long delays is that SSA just does not have enough workers. And the Advisory Board has found that the shortage of workers in the disability program has occurred all over the country. The reason is that SSA's budget is inadequate. So I would like Ms. Barnhart to tell us whether she agrees that the agency has insufficient staff and budget resources and whether she will try to fix this problem by seeking a bigger budget.

SSA has serious administrative problems in other ways. For example, last year, only 66% of the 800 number phone calls received by SSA were answered, once calls that had been abandoned were taken into account. I would like to hear Ms. Barnhart make a commitment to dramatically improve on that situation.

Finally, SSA faces a problem that will plague all federal agencies: the aging federal workforce. It is projected that almost 50% of the SSA work force will be leaving the agency over the next decade, mainly due to retirements, but also through normal attrition. Given that it generally takes 2 to 2 and 1/2 years to get new hires up to speed, this talent drain needs to be dealt with immediately. I would like our nominee to say how she will recruit a sufficient number of people quickly enough to fill these vacancies.

So it is clear that SSA faces daunting challenges now and in the future. The next Commissioner will be sorely tested. Ms. Barnhart, SSA needs an outstanding individual like you to be at its helm. The country deserves no less. If you are confirmed, I would look forward to working with you to meet these challenges.