

cost of the various benefits. According to this estimate the railroad retirement system might have a relatively small amount to transfer to the old-age and survivors insurance system, but the amount is far more than offset by the employer and employee contributions with respect to the short-service employees that the railroad retirement system, in effect, collects and retains. No benefits other than the residual death payment, which in virtually all cases will either not be due or not be claimed because of the survivor's lack of knowledge, can be payable by the railroad retirement system with respect to the wage records on which these contributions are based.

Year-by-year projections of the estimated operation of the railroad retirement program were presented during the hearings only for the old law and for H.R. 3669 as introduced.<sup>15</sup> Under the old law the benefit disbursements for the calendar year 1952 were estimated at \$357 million, which represents 55 percent of the estimated contribution income of \$649 million. Under H.R. 3669, as introduced, the estimated benefit disbursements for 1952 were \$460 million, or 62 percent of the estimated contribution income of \$739 million (an increase from the contribution income under the previous law because of the higher maximum taxable wage base). For the

<sup>15</sup> *Senate Hearings*, pp. 217 and 238.

legislation enacted, a comparable estimate of the benefit disbursements for 1952 is \$462 million,<sup>16</sup> or 71 percent of the estimated contribution income of \$649 million (same as the contribution income under the old law because of no change in the tax-rate schedule and wage base). Benefit disbursements under the new law in 1952 will be about \$105 million higher than under the earlier provisions, an increase of almost one-third, and will represent about 9 percent of covered payrolls.

### *Administrative Workloads*

The Bureau of Old-Age and Survivors Insurance of the Social Security Administration will have a large amount of additional administrative work as a result of the new railroad retirement legislation, primarily because of the transfer of the short-service cases and the provisions restricting duplication of benefits under the two programs.

New claims arising from the transfer of wage credits for workers who die or retire with less than 10 years of railroad service will average about 16,000 a year in the immediate future. In order that the Railroad Retirement Board may adjust its retirement benefits for those who are also receiving

<sup>16</sup> Estimate made by the Railroad Retirement Board. Later estimates of the payments in 1952 are slightly lower—\$340 million under the old law and \$440 million under the present law.

old-age and survivors insurance benefits, the Bureau must process immediately a backlog of about 32,000 cases, while the future workload will vary between 10,000 and 15,000 cases each year.

Further, old-age and survivors insurance benefits will have to be recalculated for individuals currently on the rolls who have had some railroad earnings since 1936. Any increases will, on the whole, be relatively small, so that this work has been budgeted for 1953, when the recalculations will be made and adjusted payments made retroactively to November 1, 1951. It is estimated that 60,000 old-age insurance beneficiaries will be affected. Dependent's benefits will also be involved in about one-third of the cases.

The additional administrative work for the Social Security Administration described above will, in the long run, be reimbursed by the railroad retirement system through the operation of the financial interchange provisions. Any such extra expenses will, as is the case for all administrative costs, be paid out of the old-age and survivors insurance trust fund, which will be decreased thereby. Accordingly, the difference between the "actual" fund and the fund that would have been accumulated if railroad service had always been covered under old-age and survivors insurance will be increased, and the transfer from the railroad retirement account will be that much larger.

## *Notes and Brief Reports*

### **Proposed Budget for Social Security and Related Programs, 1952-53**

The Budget submitted by President Truman for the fiscal year 1952-53 includes budgetary expenditures estimated at \$85.4 billion and budget receipts, under present tax laws, estimated at \$71.0 billion. The expenditures are the largest proposed for any year since World War II. In referring to the size of the Budget, President Truman expressed his hope that budget expenditures can be reduced after the fiscal year 1953-54 when "we should have completed most

of our currently planned military expansion."

More than 75 percent of the total expenditures included in the Budget are for major national security programs and related programs, such as economic stabilization. Expenditures for all other Government programs will be nearly \$1 billion less than the total anticipated for the current fiscal year. For some programs the amounts would be reduced, but for others the present level would be held or raised.

The Budget message cites the gains made in social insurance as a result of the 1950 amendments to the Social Security Act and goes on to recom-

mend an additional increase in old-age and survivors insurance benefits. Because of the rising wage level, it is pointed out, the receipts of the old-age and survivors insurance system are greater than needed to meet the costs of the present scale of benefits. The average old-age benefit could be raised by about \$5 a month, which would bring the average amount paid to a retired worker to \$47, without necessitating any increase in the present schedule of contribution rates. The presentation of the old-age and survivors insurance trust fund operations includes an estimate of an additional \$225 million expenditure for this purpose in 1952-53. The President also recommended that coverage be further extended to include "mem-

**Table 1.—Summary of estimated expenditures for social security and related programs under present and proposed legislation, fiscal year 1952-53<sup>1</sup>**

[In millions]

Source of funds	Expenditures		
	Total	Present legislation	Proposed legislation
Total.....	\$6,904	\$6,579	\$325
General funds.....	2,865	2,765	100
Trust funds, total.....	4,039	3,814	225
Old-age and survivors insurance trust fund.....	2,562	2,337	225
Unemployment trust fund.....	707	707	-----
Railroad retirement account.....	447	447	-----
Federal employees' retirement funds.....	322	322	-----

<sup>1</sup> Includes placement and unemployment insurance activities of the Department of Labor and the Railroad Retirement Board, classified under "labor" in the Budget.

Source: *The Budget of the United States Government for the Fiscal Year Ending June 30, 1953.*

bers of the Armed Forces, public employees, farmers, farm and household workers not regularly employed by a single employer, and other employed groups not covered by a publicly sponsored insurance system"; that the existing limitation on taxable earnings (\$3,600 a year) "be brought up to date"; and that provision be made for permanent and total disability protection.

Upward adjustments in monthly assistance payments are justified, President Truman stated, in view of increases in the cost of living. To this end, the Budget includes \$100 million for proposed legislation providing additional help to the States, on a matching basis, to achieve more adequate assistance levels.

In addition, the President recommended that legislation be enacted to provide aid for medical education and local public health units and urged that Congress give consideration to his recommendations of April 6, 1950, for improvements in the Federal-State system of unemployment insurance.

### Expenditures

Total expenditures for social security and related programs in 1952-53 from both general funds and trust accounts are estimated at \$6,904 million (table 1), of which \$2,865 million would be from general funds and

\$4,039 million from trust accounts. Most of the total will be spent for programs under existing legislation; \$325 million is for the proposed legislation increasing old-age and survivors insurance benefits and the

amount of Federal aid for public assistance payments. No amounts are included in the Budget, however, for the other recommended changes in social security and related programs. Estimated expenditures for public

**Table 2.—Expenditures and recommended new obligational authority, excluding trust accounts, for social security and related programs, fiscal years 1950-51, 1951-52, and 1952-53**

[In millions]

Program or agency	Expenditures			Recommended new obligational authority for 1953
	Actual, 1950-51	Estimated		
		1951-52	1952-53	
Total, including proposed legislation.....	\$2,569	\$2,879	\$2,865	\$2,793
Total, excluding proposed legislation.....	2,569	2,879	2,765	2,693
Placement and unemployment insurance administration:				
Department of Labor.....	183	189	192	204
Railroad Retirement Board.....	6	10	11	11
Retirement and dependents' insurance:				
Railroad Retirement Board.....	608	773	723	723
Other.....	7	7	3	3
Public assistance:				
Federal Security Agency:				
Present program.....	1,187	1,182	1,142	1,142
Proposed legislation.....	-----	-----	100	100
Aid to special groups:				
Vocational rehabilitation (Federal Security Agency).....	17	22	24	24
School lunch (Department of Agriculture).....	83	84	83	83
Indian welfare and other (Department of Interior and other).....	37	45	61	63
Accident compensation (Department of Labor).....	27	37	37	37
Promotion of public health (Federal Security Agency and other).....	305	382	341	268
Crime control and correction (Department of Justice and other).....	109	133	133	135
Defense community facilities and services (Federal Security Agency).....	-----	15	15	-----

Source: *The Budget . . . for the Fiscal Year Ending June 30, 1953.*

**Table 3.—Social security and related trust fund operations, fiscal years 1950-51, 1951-52, and 1952-53**

[In millions]

Fund and item	Actual, 1950-51	Estimated	
		1951-52	1952-53
Old-age and survivors insurance trust fund:			
Receipts:			
Appropriations (equal to Federal insurance contributions).....	\$3,120	\$3,850	\$4,030
Interest and other.....	291	342	407
Expenditures (benefits and administrative expenses):			
Present program.....	-1,568	-2,059	-2,337
Proposed legislation.....	-----	-----	-225
Net accumulation.....	1,842	2,133	1,875
Total assets as of June 30.....	14,725	16,858	18,733
Unemployment trust fund:			
Receipts:			
Deposits by States and railroad unemployment taxes.....	1,378	1,319	1,351
Interest.....	164	182	208
Expenditures (State and railroad withdrawals for benefits).....	-898	-856	-707
Net accumulation.....	644	645	852
Total assets as of June 30.....	8,068	8,713	9,565
Railroad retirement account:			
Receipts:			
Transfers from Budget accounts.....	608	773	723
Interest.....	70	79	90
Expenditures (benefits, salaries, and expenses).....	-321	-397	-447
Net accumulation.....	357	455	366
Total assets as of June 30.....	2,445	2,900	3,266
Federal employees' retirement funds:			
Receipts:			
Employee contributions.....	378	415	413
Transfer from Budget accounts and other.....	305	310	465
Interest.....	165	189	216
Expenditures (annuities, refunds, and expenses).....	-270	-300	-322
Net accumulation.....	578	614	772
Total assets as of June 30.....	4,418	5,032	5,804

Source: *The Budget . . . for the Fiscal Year Ending June 30, 1953.*

assistance in 1952-53 constitute more than 43 percent of the \$2,865 million to be spent from general funds for all social security and related purposes (table 2). Caseloads for old-age assistance and aid to dependent children, and the Federal grants for these programs, have recently been declining, largely because of high employment and the strengthened old-age and survivors insurance program. The proposed increase of \$100 million in Federal aid for public assistance would, however, make total grants larger in 1952-53 than in the present fiscal year.

One-fourth of the estimated total is accounted for by transfers of payroll taxes, collected from railroad workers and employers, to the railroad retirement trust account.

The remainder is for administration of the placement and unemployment insurance services, aid to special groups—which includes the school lunch program and vocational rehabilitation—accident compensation, crime control and correction, defense community facilities and services, and public health. The decline in the amount proposed for public health in 1952-53 results from the curtailment of outlays for hospital construction, reflecting the Administration's policy of holding new construction to a minimum.

Recommended grants to State and local governments, including those called for under proposed public as-

**Table 5.—Appropriations, transfers, and expenditures, Social Security Administration, for grants to States and administrative expenses, fiscal years 1950-51, 1951-52, and 1952-53**

[In thousands]

Bureau and item	Appropriations and transfers			Expenditures <sup>4</sup>		
	Actual, 1950-51	Enacted or proposed, 1951-52	Recommended, 1952-53	Actual, 1950-51	Estimated	
					1951-52	1952-53
Total, Social Security Administration: Including proposed legislation.....	\$1,392,432	\$1,273,544	\$1,360,629	\$1,291,445	\$1,304,436	\$1,364,198
Excluding proposed legislation.....	1,392,432	1,273,544	1,260,629	1,291,445	1,304,436	1,264,198
Grants to States, total: Including proposed legislation.....	1,310,250	1,181,500	1,270,000	1,213,822	1,212,371	1,273,111
Excluding proposed legislation.....	1,310,250	1,181,500	1,170,000	1,213,822	1,212,371	1,173,111
Salaries and expenses.....	78,488	<sup>1</sup> 88,310	90,629	73,929	88,331	91,087
Other <sup>2</sup> .....	3,694	3,734	-----	3,694	3,734	-----
Bureau of Old-Age and Survivors Insurance: Salaries and expenses.....	<sup>3</sup> 56,988	<sup>1</sup> 60,270	<sup>3</sup> 62,100	52,571	60,351	62,573
Reimbursement to general fund for administrative expenses.....	<sup>4</sup> 17,538	<sup>4</sup> 23,740	<sup>4</sup> 24,000	17,538	23,740	24,000
Reimbursement for benefits payable to survivors of certain World War II veterans.....	3,694	3,734	-----	3,694	3,734	-----
Bureau of Public Assistance: Grants to States.....	1,280,000	1,150,000	1,140,000	1,185,764	1,179,928	1,140,000
Proposed legislation, grants to States.....	-----	-----	100,000	-----	-----	100,000
Salaries and expenses.....	1,463	1,668	1,649	1,404	1,622	1,657
Children's Bureau: Grants to States.....	30,250	31,500	30,000	28,058	32,443	33,111
Salaries and expenses.....	1,500	1,595	1,587	1,442	1,564	1,586
Bureau of Federal Credit Unions, salaries and expenses.....	761	822	1,078	737	838	1,058
Office of the Commissioner, salaries and expenses.....	223	215	215	211	214	213
Miscellaneous.....	15	-----	-----	26	1	-----

<sup>1</sup> Includes a proposed supplemental amount to meet cost of salary increases in the Bureau of Old-Age and Survivors Insurance in 1952.

<sup>2</sup> Reimbursement to old-age and survivors insurance trust fund for expenses incurred in paying benefits to survivors of certain World War II veterans.

<sup>3</sup> Represents maximum amount for salaries and expenses payable from the old-age and survivors insurance trust fund.

<sup>4</sup> Expenditures; appropriation amounts not separately available.

Source: *The Budget . . . for the Fiscal Year Ending June 30, 1953.*

sistance legislation and that part of hospital construction grants going to private nonprofit institutions, total \$1,742 million and make up more than 60 percent of estimated budgetary expenditures for social security and related programs in 1951-52. Grants for these purposes constitute 58 percent of all present and proposed grants to State and local governments, as defined in the Budget, for the fiscal year 1952-53.

### Trust Fund Operations

Both the receipts and expenditures of the old-age and survivors insurance trust fund are expected to continue to rise in 1952-53 (table 3). The net accumulation of the fund, after allowance for the proposed increase in benefit payments, is expected to be \$1,875 million. The balance on June 30, 1953, is estimated at \$18,733 million, as compared with \$16,858 million at the close of the current fiscal year.

The tax receipts of the unemployment trust fund are expected to be

lower in the fiscal years 1951-52 and 1952-53 than in 1950-51 because firms that have had low unemployment will pay lower taxes. Despite increased unemployment in certain areas, the level of unemployment and of benefit expenditures is also expected to be lower in both years than it was in 1950-51. The net accumulation of the fund during 1952-53 is expected to be \$852 million as compared with \$645 million during the year ended June 30, 1952; total assets on June 30, 1953, are estimated at \$9,565 million.

The balances of the railroad retirement account and the Federal employee's retirement funds are expected to increase during 1952-53 and to total an estimated \$3,266 million and \$5,804 million, respectively, on June 30, 1953. It is estimated that the combined balances in all the trust funds for social security and related purposes will total more than \$33 billion by the end of the current fiscal year and about \$37 billion by June 30, 1953.

Social insurance tax collections con-

**Table 4.—Social insurance contributions and taxes collected, fiscal years 1950-51, 1951-52, and 1952-53**

[In millions]

Program	Actual, 1950-51	Estimated	
		1951-52	1952-53
Total.....	\$5,679	\$6,569	\$6,740
Employment taxes.....	5,303	6,157	6,330
Federal Insurance Contributions Act.....	3,120	3,850	4,030
Federal Unemployment Tax Act.....	234	257	269
Carriers Taxing Act.....	573	740	690
Railroad Unemployment Insurance Act.....	10	10	11
Deposits by States <sup>1</sup> .....	1,363	1,300	1,330
Federal employees retirement acts, employee contributions.....	375	412	410

<sup>1</sup> State payroll tax collections for unemployment insurance deposited in the Federal unemployment trust fund.

Source: *The Budget . . . for the Fiscal Year Ending June 30, 1953.*

tinue to occupy an important place in our total fiscal picture. These collections, including State deposits in the unemployment trust fund of \$1,330 million, are estimated at \$6,740 million for the fiscal year 1952-53 (table 4).

### Budget for Social Security Administration

Excluding proposed legislation, total appropriations and transfers for the Social Security Administration will be slightly less in 1952-53 than in the current fiscal year. Including proposed legislation, however, the total will be somewhat higher—\$1,361 million as compared with \$1,274 million. Of the 1952-53 total, 93 percent is for grants to States, including the proposed increase in public assistance grants.

The amount recommended for salaries and expenses in 1952-53 is slightly higher than the amount for the current fiscal year. Total recommended budget appropriations for the Social Security Administration for 1952-53 are \$1,275 million, or only 1.5 percent of recommended new obligational authority for the year.

Total budgetary expenditures of the Social Security Administration are estimated at \$1,278 million in 1952-53. With the anticipated administrative outlays of \$87 million from the old-age and survivors insurance trust fund and benefit payments of \$2,250 million, total expenditures would be \$3,614 million.

### Public Assistance Recipients Newly Eligible for OASI Benefits

Certain changes in the old-age and survivors insurance program made by the 1950 amendments to the Social Security Act increased the amount of benefits payable to current beneficiaries; others immediately qualified for benefits many persons who had formerly been ineligible.<sup>1</sup> Some of the latter group had been receiving public assistance at the time the amendments were enacted. For these recipients, the new insurance benefits

<sup>1</sup> The effect of the increase in benefits was discussed in the *Bulletin* for September 1951.

usually resulted in a reduction in the amount of assistance received and were sufficient in some instances to eliminate the need for assistance entirely.

From September 1950 through September 1951, data were collected each month on the number of assistance recipients on the rolls in September 1950 who received new insurance benefits, the action taken with respect to the public assistance payment as a result, the amount of the insurance benefits, and the amount by which assistance payments were reduced.<sup>2</sup> The totals represent the cumulative effect of the monthly changes that occurred during the first 13 months that the new provisions were effective. Only one payment adjustment or other action for each assistance recipient is included, and the totals are the closest approximation that can be made of the effect that the liberalized insured-status provisions have had on assistance payments to persons receiving assistance at the time the new provisions became effective.

The effect of the newly awarded benefits on the public assistance rolls was slower for several reasons than the effect of the increase in benefits paid to current beneficiaries. Assistance agencies were generally aware of the benefits being currently received by public assistance recipients and could act fairly promptly when these benefits were increased to a new amount, which in most instances they could easily determine. In contrast, many of the "new eligibles" qualified on the basis of employment that had occurred several years before the receipt of assistance and that was not known to the assistance agency. Undoubtedly many recipients took the initiative in applying for benefits. Work histories known to assistance agencies accounted for the referral to old-age and survivors insurance field offices of many more.

There still remained, however, some assistance recipients whose eligibility for benefits was not indicated by any of these sources and who were discovered only as their work histories were reviewed with them in conjunc-

<sup>2</sup> Recipients of aid to the blind newly awarded old-age and survivors insurance benefits were too few to provide a basis for analysis.

Table 1.—Cases receiving old-age assistance or aid to dependent children in September 1950 and newly eligible for OASI benefits, selected data<sup>1</sup>

Item	Old-age assistance	Aid to dependent children
Total cases.....	2, 809, 537	653, 694
Cases newly eligible for OASI.....	104, 688	4, 456
Percent of total.....	3. 7	0. 7
Monthly OASI benefits awarded.....	\$2, 339, 441	\$202, 534
Monthly decrease in assistance payments.....	\$2, 280, 102	\$155, 662
Average OASI benefit per case affected.....	\$22. 35	\$45. 45

<sup>1</sup> Based on adjustments made between September 1950 and September 1951.

tion with the normal process of review of eligibility for assistance. Thus appreciable numbers of recipients newly eligible for insurance benefits were reported each month through September 1951, at which time the new provisions had been in effect for a full year. While action had been taken on three-fourths of the payments affected by increased benefits to current beneficiary-recipients by the end of October 1950, slightly less than one-third of the cases involving the newly eligible recipients had been considered by the end of December 1950, and it was February 1951 before action had been taken on half of them.

The public assistance recipients who became newly eligible for insurance benefits were of several types. The largest group consisted of aged persons who had worked for 6 quarters or more in covered employment after 1936 but not long enough to qualify for benefits under the requirements in effect before the amendments, and the aged wives of men meeting these qualifications. Other provisions of the amendments, such as those conferring eligibility for benefits on dependent husbands of female primary beneficiaries, resulted in some additional public assistance recipients becoming entitled.

Most of the changes in old-age assistance were brought about by the provisions that made these groups eligible; the aid to dependent children program was more affected by the liberalized provisions for children of old-age beneficiaries and survivors of deceased wage earners. One of the