

Table 4.—Number of States with specified amount of expenditures per inhabitant for vendor payments for medical care, by program, fiscal year 1958-59

Expenditures per inhabitant for vendor payments for medical care	All programs	OAA	ADC	AB	APTD	GA
Average, all States.....	\$2.32	\$1.22	\$0.32	\$0.04	\$0.20	\$0.54
Total number of States.....	53	53	53	53	48	53
No vendor payments.....	7	12	16	11	11	16
Vendor payments.....	46	41	37	42	37	37
Less than \$0.50.....	9	14	26	42	33	19
0.50-0.99.....	4	4	11	0	3	7
1.00-1.49.....	5	8	0	0	1	4
1.50-1.99.....	2	5	0	0	0	3
2.00 or more.....	26	10	0	0	0	4

one-third of this increase, however, represented a shift from the money payment to the vendor payment. Although vendor payments for medical care for the four categories combined went up in all but six of the 42 States that made such payments in one or more of these programs, almost three-fourths of the total increase occurred in eight States.⁵ For the country as a whole, the increase in vendor payments for all five programs combined totaled \$90 million.

In 1958-59 all but seven States made vendor medical payments in one of the five programs. The number of States using direct payments to medical vendors during the year rose in each program except general assistance; five additional States started to use this method in old-age assistance and four in aid to the blind and aid to the permanently and totally disabled. Under each of these three programs, all but 11 or 12 States made some vendor payments for medical care.

The \$410 million paid to vendors of medical care throughout the Nation amounted to \$2.32 per inhabitant for recipients in all five programs in 1958-59—48 cents more than in the preceding year (table 4). Old-age assistance expenditures of \$1.22 accounted for more than half the total. Expenditures of 54 cents per inhabitant under general assistance made up 23 percent of the total vendor medical payments for all programs and about the same proportion of total general assistance payments. In contrast, vendor payments

for medical care from funds of the four federally aided categories represented only a tenth of the combined assistance payments from funds of those programs. Per capita payments to medical vendors were smaller in the three remaining programs, amounting to 32 cents for the children's program, 4 cents for the blind, and 20 cents for the disabled.

Except for old-age assistance, the amounts spent by the individual States for vendor medical payments were relatively small. Of the States making vendor payments from program funds, the following number spent less than 50 cents per inhabitant: all 42 for aid to the blind, 33 for aid to the permanently and totally disabled, 26 for aid to dependent children, 19 for general assistance, and 14 for old-age assistance. Expenditures amounted to as much as \$2 or more per inhabitant in 10 States in old-age assistance and in four States in general assistance. Direct payments to medical vendors for all five programs combined were at least \$2.00 per inhabitant in 26 of the 46 States that used this type of payment in one or more programs.

Trust Fund Operations, 1959*

Among the trust funds managed by the Treasury Department in whole or in part (for example, portfolio management only) are the social insurance and related trust funds. These funds include the old-age and

survivors insurance trust fund, the disability insurance trust fund, the unemployment trust fund, the railroad retirement account, the civil-service retirement and disability fund, and the several veterans' insurance funds.

Old-Age and Survivors Insurance Trust Fund

All financial operations of the old-age, survivors, and disability insurance program are carried on through the Federal old-age and survivors insurance trust fund and the Federal disability insurance trust fund.

Income-outgo. — Amounts equivalent to 100 percent of current collections under the Federal Insurance Contributions Act (with respect to covered employees) and under chapter 2 of the Internal Revenue Code of 1954, as amended (with respect to covered self-employed persons), are transferred by permanent appropriations to the trust funds on the basis of estimates made by the Secretary of the Treasury. Differences between these estimates and the contributions actually payable on the basis of reported earnings are adjusted periodically. Contributions received under voluntary agreements with States for the coverage of State and local government employees are deposited directly in the trust funds.

The 1958 amendments to the Social Security Act introduced two changes that had a major effect on 1959 contribution income. Beginning January 1, 1959, the combined employer-employee contribution rate was raised 1/2 of 1 percent to a total of 5 percent, and the maximum annual earnings base was raised from \$4,200 to \$4,800.¹ These two factors, plus the general improvement in the economy during 1959, brought a 6.4-percent increase, to \$8.1 billion, in net contribution income of the old-age and survivors insurance trust fund. The income,

¹ The 1958 amendments also raised the tax rate on self-employment earnings by 1/2 of 1 percent to a new total of 3 1/2 percent, but since the tax on 1959 self-employment earnings becomes due with the 1959 Federal income tax on April 15, 1960, contribution income received in the trust funds during 1959 does not significantly reflect this increase or the increase in the taxable earnings limit.

⁵ California, Colorado, Massachusetts, Minnesota, New York, Ohio, Oklahoma, and Wisconsin.

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outgo, and assets of the trust fund are detailed in table 1.

The contribution income from tax collections in 1959 is actually more than 6.4 percent higher than 1958 collections. The larger increase does not show up in a comparison of annual total contributions received because—as noted above—appropriations are made on an estimated basis and subsequently adjusted as the exact tax receipts are tabulated. During 1958 the fund received an adjustment appropriation to compensate for underestimates and underappropriation of 1957 taxes and also received current appropriations based on overestimates of 1958 taxes, both of which artificially raised 1958 total contribution income. De-appropriation in 1959 of amounts that had been overappropriated in 1958 served to reduce the 1959 total. As a result the net appropriation figures for the 2 years are not true indicators of contribution income from tax collections in the respective years.

The invested assets of the old-age and survivors insurance trust fund earned \$531.1 million in interest in 1959. This sum is 3.7 percent smaller than the \$551.4 million earned in 1958, largely because the fund itself declined \$1.7 billion during the year. An additional \$1.2 million was received from the disability insurance trust fund as interest on administrative expenses reimbursed during the year, and \$7.4 million was paid from the trust fund to the railroad retirement account as interest on the amount paid to that account under the financial interchange provisions of the Railroad Retirement Act. Total net receipts of the trust fund in 1959 amounted to \$8.6 billion—\$462.4 million or 5.7 percent more than total income in 1958.

Expenditures for old-age and survivors insurance benefit payments totaled \$9.8 billion, 18.2 percent more than 1958 benefits. Under the financial interchange, \$274.6 million was paid for the fiscal year 1957-58 from the trust fund to the railroad retirement account, with the interest referred to previously, to place the trust fund in the same position in which it would have been had railroad employment always been covered employment for old-age and

survivors insurance purposes. The \$10.1 billion total of benefit payments and payments in lieu of benefits was 19.7 percent higher in 1959 than in 1958.

Gross administrative costs paid out of the old-age and survivors insurance trust fund in 1959 amounted to \$230.6 million, 13.2 percent more than the comparable 1958 figure. The ostensible decrease in net administrative expenses shown in table 1 results from the timing of the reimbursements from the disability insurance trust fund for administrative expenses: one relatively small reimbursement was made in the calendar year 1958 and two substantially larger reimbursements were made during 1959. In June 1958, \$9.1 million was reimbursed for the administrative expenses of the disability insurance program incurred during the fiscal year 1956-57. In March 1959, \$17.5 million pertaining to 1957-58 was reimbursed, and, in December 1959, \$28.8 million for 1958-59 expenses was transferred from the disability insurance trust fund.

The total assets of the trust fund at the end of 1959 were \$20.1 billion, reflecting a net decrease during the year of \$1.7 billion or 7.9 percent. Of these assets, \$19.2 billion was invested in Government securities (table 2), and the remainder was held in cash balances.

Investments.—Under the provisions of the Social Security Act the old-age and survivors insurance trust fund and the disability insurance trust fund are administered by a Board of Trustees composed of the Secretary of the Treasury as Managing Trustee, the Secretary of Labor, and the Secretary of Health, Education, and Welfare. The Commissioner of Social Security is Secretary of the Board.

The Managing Trustee invests the portions of the trust funds that, in his judgment, are not required for current expenditures for benefit payments and administrative expenses. The Social Security Act restricts permissible investments of the trust funds to interest-bearing obligations of the United States Government and to obligations guaranteed as to principal and interest by the United States. Obligations of these types

may be acquired on original issue at the issue price² or by purchase of outstanding issues at market price, and they may be sold at market price. In addition, the Act authorizes issuance of public-debt obligations exclusively to the trust funds that may be redeemed at par plus accrued interest. Maturities of these special public-debt obligations are to be fixed with due regard for the needs of the trust fund.

At the start of 1959, the old-age and survivors insurance trust fund held Government securities with a face value of \$21.0 billion, and at the close of the year the portfolio totaled \$19.2 billion, a net decrease of \$1.8 billion or 8.6 percent, compared with net declines of \$611 million (2.8 percent) in 1958 and \$265 million (1.2 percent) in 1957 and a net increase of \$729 million (3.4 percent) in 1956. The entire decrease for 1959 occurred among the special obligations held by the trust fund, which totaled \$17.8 billion at the beginning of the year and \$15.9 billion at its end, while public-issue holdings increased \$92.5 million to a total of \$3.3 billion.

A few years ago public issues made up scarcely 10 percent of the fund's investment portfolio; at the end of 1958 they formed more than 15 percent, and at the close of 1959, more than 17 percent. The increasing proportion is due less to rapid increase in the amount of the public issues held by the trust fund than to the fact that the overall decreases of the past few years have occurred exclusively in the holdings of the special public-debt obligations. Total investments of all three social security trust funds at the end of each year since their inception are shown in table 3. The total interest-bearing public debt on the same date is also given, as well as the proportion of the total debt formed by these trust funds.

On May 31, 1959, the old-age and

² Public Law 86-346, signed September 22, 1959, changed the former phraseology of the Social Security Act and the Railroad Retirement Act (and other laws) relating to acquisition "on original issue at par" to permit the several social security trust funds to acquire Government securities issued below par; the Treasury made several offerings of this type during 1958 and 1959.

Table 1.—Operations of the old-age and survivors insurance trust fund, calendar years 1958 and 1959

[In thousands]

Item	1959	1958
Total assets, Jan. 1.....	\$21,864,422	\$22,392,357
Receipts, calendar year:		
Contributions:		
Appropriations (taxes).....	7,586,574	7,089,697
Deposits arising from State agreements.....	539,077	548,370
Gross contributions.....	8,125,652	7,638,067
Less payments to Treasury for taxes subject to refunds.....	73,680	72,270
Net contributions.....	8,051,972	7,565,797
Interest and profit:		
On investments.....	531,081	551,378
On administrative expenses reimbursed from disability insurance trust fund.....	1,165	288
Gross interest received.....	532,246	551,666
Less interest transferred to railroad retirement account.....	7,448	3,141
Net interest received.....	524,798	548,525
Total net receipts.....	8,576,769	8,114,322
Disbursements, calendar year:		
Benefit payments.....	9,841,641	8,326,966
Payments to railroad retirement account under the financial interchange.....	274,600	121,300
Total benefit payments and transfers with respect to benefit payments.....	10,116,241	8,448,266
Administrative expenses:		
Department of Health, Education, and Welfare.....	179,123	161,079
Treasury Department.....	36,453	36,745
Construction of headquarters building for Bureau of Old-Age and Survivors Insurance.....	15,052	5,989
Gross administrative expenses.....	230,628	203,812
Less receipts for sale of services, etc.....	136	172
Less reimbursement for administrative expenses from disability insurance trust fund.....	46,308	9,149
Net administrative expenses.....	184,184	194,491
Total net disbursements.....	10,300,425	8,642,757
Net addition to trust fund.....	-1,723,656	-628,435
Total assets, Dec. 31.....	20,140,766	21,864,422

survivors insurance trust fund held \$17.3 billion of special public-debt obligations, which were about evenly divided between 1-year certificates of indebtedness and longer-term (up to 10 years) special notes and bonds acquired (beginning June 1957) under the 1956 provision that the maturities of special obligations be fixed "with due regard for the needs of the trust fund." One month later, after the June 30 "rollover" of \$9.1 billion of maturing special obligations, only \$400 million of the fund's \$17.2 billion of special issues was in 1-year special certificates; \$16.8 billion was in the longer-term special securities, with maturities ranging up to 15 years. Within 1 month after that, in July 1959, it became necessary for the first time to redeem some of the special issues of longer than 1-year maturity before they reached maturity. The total holding of 2½-percent special notes maturing June 30, 1960—\$965 million—was redeemed at that time; \$500 million of these notes had been acquired in June 1957 and \$465 million in June 1958.³ All additional redemptions during the year were

³ In January 1960 some of the 2½-percent special notes maturing June 1961 were redeemed.

made from the special certificates, as in the past, with the result that the special notes and bonds made up an increasingly larger proportion of all special issues. At the start of 1959 these longer-term holdings represented 48.9 percent of all special obligations and 41.4 percent of the total portfolio; by the end of the year they accounted for 99.9 percent of the special issues and 82.8 percent of the total face value of the fund's investments.

Interest rate.—The Social Security Act of 1935 required that the investments of the old-age reserve account (now the old-age and survivors insurance trust fund) earn at least 3 percent. The 1939 amendments removed all reference to a minimum yield except on "special obligations issued to the trust fund," which were required to bear the average rate of interest on the interest-bearing portion of the public debt, computed as of the end of the month next preceding the date of issue and rounded to the next lowest ⅓ of 1 percent if the average rate was not itself an exact multiple of ⅓ of 1 percent. The 1956 amendments changed the interest base to reflect the essentially long-term character of these investments. The rate is now "the average

rate . . . borne by all marketable interest-bearing obligations of the United States . . . not due or callable until after the expiration of 5 years from the date of original issue," computed as of the end of the month before and rounded to the nearest ⅓ of 1 percent. This provision, in effect, ties the interest rate on special obligations issued to the old-age and survivors insurance and the disability insurance trust funds to the average rate on Treasury bonds (including one relatively small issue of 3-percent Panama Canal bonds of 1961).

The present formula was used to set the special obligation interest rate for the first time on October 1, 1956. For the next 21 months—through the "rollover" of maturing special certificates of indebtedness on June 30, 1958—the interest rate remained at 2½ percent. In July 1958 the rate rose to 2⅝ percent, where it remained for the second half of 1958 and all through 1959.

The year 1959 was one of rising interest rates on all sectors of the public debt, notably on the various types of public marketable issues and—among these—especially on the shortest-term securities, Treasury bills, and Treasury certificates of indebtedness (not to be confused with the Treasury special certificates of indebtedness issued exclusively to trust funds). The interest rate on the sole issue during 1959 of the longest-term securities, Treasury bonds, was set at 4 percent, and even then (January 23) the bonds were issued at 99.0 to yield an effective interest rate of 4.0712 percent. The difference over the years between the average rate on the total interest-bearing debt and on the long-term bonds is indicated in table 4, which also shows the computed average interest rate on all investments (special obligations and public marketable and nonmarketable issues) of the three social security trust funds. The long-term marketable securities had the higher average interest rate in the 16 years 1936-51, but from 1952 to the present, with the exception of 1954, the rate was higher on the total debt. In 1959 the average interest rate on the total debt was 26 percent higher than the rate on Treasury bonds, which represents the

widest divergence since the inception of the social security trust funds.

Disability Insurance Trust Fund

Income-outgo.—The disability insurance trust fund was activated as of January 1, 1957, to receive contributions at the rate of $\frac{1}{4}$ of 1 percent of payroll each from employers and employees and at $\frac{3}{8}$ of 1 percent from the self-employed. In 1957 contribution income was received during 11 months, benefits were paid out for 5 months, beginning in August, and no administrative expenses were paid out except the cost of the Treasury Department's operation of the fund. The calendar year 1958 marked the first year of full operation.

Although there was no change in the contribution rate for this program on January 1, 1959, when the scheduled increase for old-age and survivors insurance contributions went into effect, the raise in the earnings base from \$4,200 to \$4,800 applied to both programs. Despite the higher tax base for 1959 and despite the improved level of economic activity, tax collections appropriated to the disability insurance trust fund during 1959 totaled only \$849 million, 4.7 percent less than the 1958 income of \$891 million from the same source (table 5). This apparent anomaly is, as with the old-age and survivors insurance trust fund, the result of adjustment of appropriations that are made on the basis of estimated

tax collections: 1958 appropriations were enlarged by \$38 million to adjust for 1957 underappropriations as well as by \$32 million overestimated and overappropriated for 1958 itself, which, when de-appropriated in 1959, reduced the 1959 total by \$32 million. The annual total appropriation is therefore not an exact mirror of contribution income from tax collections in either year; 1958 is \$70 million too high, and 1959 is \$32 million too low.

Deposits arising from State agreements for voluntary coverage of public employees totaled \$51.5 million in 1959, or 30.5 percent less than in 1958. Here, again, an apparent anomaly arises because of the use of annual totals that disregard adjustments—in this case between funds.

In 1959 the first withdrawal (\$9.8 million) was made from the disability insurance trust fund, to reimburse the Treasury for the refunds it makes on employee taxes paid on wages in excess of the wage base. This situation occurs as the result of employment by more than one employer during a year, each of whom withholds taxes that may be up to the limit of the wage base.

In 1959, also, the disability insurance trust fund received its first transfer from the railroad retirement account under the financial interchange. The sum transferred was \$21.4 million, plus \$0.6 million interest, for the period January 1957 through June 1958.

Net interest received by the fund in 1959 totaled \$40.8 million, or 65.2 percent more than in 1958. Somewhat more than this amount, \$41.4 million, was earned by the invested assets of the fund, and an additional \$580,000 in interest was transferred from the railroad retirement account; however, \$1.2 million in interest on administrative expenses reimbursed to the old-age and survivors insurance trust fund was transferred to that fund during the year.

Disability benefit payments in 1959 rose 83.5 percent to a total of \$456.7 million. The sharp rise was caused in part by the normal growth of the disabled-worker beneficiary rolls and in part by the fact that payments to dependents of disabled beneficiaries were in effect only during the last

Table 2.—Investment of the social security trust funds, by type and earnings, end of December 1958 and 1959

[In millions]

Type of investment	Old-age and survivors insurance trust fund		Disability insurance trust fund		Unemployment trust fund	
	1959	1958	1959	1958	1959	1958
Total.....	\$19,151.2	\$20,953.4	\$1,793.4	\$1,320.8	\$6,877.0	\$7,114.0
Public issues (book value)						
Treasury bonds.....	3,287.6	3,200.2	78.4	63.7	1,083.1	1,059.2
Marketable.....	2,837.4	2,769.8	46.8	36.8	1,014.0	999.0
2¼ percent.....	1,772.5	1,704.9	46.8	36.8	269.0	254.0
2½ percent.....	4.2	4.2	-----	-----	4.0	4.0
2¾ percent.....	1,242.3	1,223.5	-----	-----	150.0	150.0
3 percent.....	225.4	211.9	18.2	16.8	10.0	-----
3½ percent.....	2.0	2.0	-----	-----	15.0	15.0
4 percent.....	110.2	110.2	10.0	10.0	10.0	10.0
4½ percent.....	45.1	45.1	-----	-----	57.0	57.0
5 percent.....	63.8	56.5	1.5	-----	3.0	3.0
5½ percent.....	25.0	25.0	5.0	5.0	5.0	5.0
6 percent.....	54.5	26.5	12.0	5.0	15.0	10.0
Nonmarketable.....	1,064.9	1,064.9	-----	-----	745.0	745.0
2¼ percent.....	1,064.9	1,064.9	-----	-----	745.0	745.0
Treasury notes.....	457.6	432.6	32.0	27.0	70.2	60.2
2½ percent.....	30.0	30.0	10.0	10.0	10.0	-----
3½ percent.....	47.5	72.5	-----	5.0	10.0	20.0
3¾ percent.....	176.0	176.0	-----	-----	5.2	5.2
4 percent.....	20.0	20.0	7.0	7.0	15.0	15.0
4½ percent.....	144.1	134.1	5.0	5.0	20.0	20.0
5 percent.....	15.0	-----	5.0	-----	-----	-----
5½ percent.....	25.0	-----	5.0	-----	10.0	-----
Net unamortized premium and discount ¹	-7.4	-2.3	-3	-1	-1.1	(²)
Accrued interest purchased.....	(²)	(²)	-----	(²)	-----	-----
Public-debt obligations (special issues).....	15,863.5	17,753.3	1,714.9	1,257.1	5,793.8	6,054.7
Treasury bonds.....	12,795.0	4,825.0	1,050.0	187.5	-----	-----
2½ percent.....	4,825.0	4,825.0	187.5	187.5	-----	-----
2¾ percent.....	7,970.0	-----	862.5	-----	-----	-----
Treasury notes.....	3,067.0	3,860.0	-----	150.0	-----	-----
2½ percent.....	2,395.0	3,860.0	-----	150.0	-----	-----
2¾ percent.....	672.0	-----	252.0	-----	-----	-----
Treasury certificates of indebtedness.....	1.5	9,068.3	307.9	919.6	5,793.8	6,054.7
2½ percent.....	-----	5,308.4	-----	434.8	-----	-----
2¾ percent.....	1.5	3,759.9	307.9	434.8	-----	6,054.7
3 percent.....	-----	-----	-----	-----	5,032.4	-----
3½ percent.....	-----	-----	-----	-----	439.5	-----
3¾ percent.....	-----	-----	-----	-----	219.5	-----
4 percent.....	-----	-----	-----	-----	82.4	-----

¹ Refers to investments acquired above or below par values in open-market operations. "Premium" is the excess of the price paid in the open market over par value; "discount" is the amount by which the price is less than par value. The Treasury Department amortizes this positive or negative difference over the remaining life of the obligations. At any given time, the "net unamortized" figure

represents a subtraction of the amount remaining to be written off between that time and maturity on issues bought at a premium from the amount still to be "written on" for issues bought at a discount.

² Less than \$50,000.

Source: *Daily Statement of the U. S. Treasury* and unpublished Treasury releases.

quarter of 1958 but for the entire year 1959.⁴

Total disbursements of the fund, including administrative expenses of the Treasury Department and the Department of Health, Education, and Welfare as well as the benefit payments, amounted to \$506.7 million, not far from double the 1958 disbursements. As mentioned above, the administrative expenses reimbursed to the old-age and survivors insurance trust fund in 1959 cover 2 earlier fiscal years, and the reimbursements of 1958 pertain only to 1 preceding year.

The combination of decreased income and increased expenditure reduced by 38.7 percent the rate of growth of the disability insurance trust fund in 1959, as measured by its net increase. The total assets of the fund increased 112.3 percent in 1958 but only 32.4 percent in 1959. At the end of the year, assets totaled \$1.8 billion, of which \$31.8 million was in cash balances and \$1,793.4 million was invested in U.S. Government securities.

Investments and interest rate.—Although special public-debt obligations made up about the same proportion of total investments of the fund at the end of both years (95.6 percent in 1959 and 95.2 percent in 1958), the distribution of maturities between long- and short-term special obligations was practically reversed during the year. On December 31, 1958, 73.2 percent of the fund's special obligations were 1-year special certificates of indebtedness and 26.8 percent were special notes and bonds with maturities of 2-10 years. On the same date in 1959, 1-year certificates formed but 18.0 percent of all special obligations and 82.0 percent were in

⁴Under the 1958 amendments, dependents of disabled beneficiaries include wives and dependent husbands who have reached retirement age, unmarried dependent children (including those aged 18 or over who are permanently and totally disabled and whose disability began before they reached that age), and wives who have an entitled child in their care. Benefits to the permanently and totally disabled persons aged 18 or over whose disability began before they reached age 18 and who are children of retired or deceased insured workers are, however, chargeable to the old-age and survivors insurance trust fund.

special notes and bonds with maturities now extending up to 15 years. The dollar amounts invested in the several types of public and special obligations on both dates are shown in table 2.

Since the interest rate on special obligations issued to the disability insurance trust fund is governed by the same provisions that apply to the old-age and survivors insurance trust fund, the rates for new special issues to the two funds are always the same at any given time. As with the other fund, the interest rate on all special obligations issued to the disability insurance trust fund in 1959 was 2⁵/₈ percent.

Unemployment Trust Fund

Income-outgo.—The unemployment trust fund is composed of the 51 accounts for the State unemployment insurance programs, the railroad unemployment insurance account, the railroad unemployment administration fund, and the Federal unemployment account. The fund's total assets on December 31, 1959, amounted to \$6.9 billion, a decrease of \$234.3 million or 3.3 percent from the \$7.1 billion at the end of 1958. The total

was 24.4 percent less than the \$9.1 billion in assets at the close of 1957, before the railroad unemployment administration fund was included in the items forming the total assets.

During 1959 the State unemployment insurance systems deposited \$2.0 billion in their respective accounts in the Federal unemployment insurance trust fund, 31.7 percent more than their deposits in 1958 and 27.0 percent more than those of 1957. A loan of \$96.4 million was made to Pennsylvania in 1959 from the Federal unemployment account in the trust fund; loans of \$132.6 million were made in 1958 (\$14.0 million to Oregon, which was repaid almost immediately, \$113.0 million to Michigan, and \$5.6 million to Alaska). There were no transfers to the State accounts in 1959 of excess Federal unemployment tax collections; \$33.5 million had been transferred in 1958 and \$71.2 million in 1957. Deposits, loans, and transfers credited to the State accounts in 1959 totaled \$2.1 billion, or 25.3 percent more than the 1958 total and 27.2 percent more than that of 1957.

Interest earned by the State accounts totaled \$177.8 million in 1959.

Table 3.—Investments of social security trust funds and interest-bearing public debt at end of specified period, 1936-59

[Amounts in millions]

At end of—	Interest-bearing public debt	Social security trust fund investments (face value)				Unemployment trust fund
		Total amount	Percent of public debt	Old-age and survivors insurance trust fund	Disability insurance trust fund	
1936.....	\$33,699	\$64	0.2	-----	-----	\$64
1937.....	36,715	1,138	3.1	\$513	-----	625
1938.....	38,899	1,926	5.0	862	-----	1,064
1939.....	41,445	2,944	7.1	1,435	-----	1,509
1940.....	44,458	3,962	8.9	2,016	-----	1,945
1941.....	57,451	5,468	9.5	2,736	-----	2,732
1942.....	107,308	7,342	6.8	3,655	-----	3,687
1943.....	164,508	9,874	6.0	4,779	-----	5,095
1944.....	228,891	12,546	5.5	5,967	-----	6,579
1945.....	275,694	14,562	5.3	7,054	-----	7,508
1946.....	267,649	15,643	6.1	8,079	-----	7,564
1947.....	254,205	17,363	6.8	9,262	-----	8,101
1948.....	250,579	19,044	7.6	10,549	-----	8,495
1949.....	255,019	19,417	7.6	11,722	-----	7,695
1950.....	254,283	20,963	8.2	13,325	-----	7,638
1951.....	257,070	23,438	9.1	15,012	-----	8,426
1952.....	265,293	25,977	9.8	16,956	-----	9,022
1953.....	272,881	27,832	10.2	18,288	-----	9,544
1954.....	275,731	28,598	10.4	19,860	-----	8,739
1955.....	277,799	29,853	10.7	21,101	-----	8,752
1956.....	274,219	30,800	11.3	21,830	-----	9,060
1957.....	272,874	31,276	11.5	21,566	\$612	9,097
1958.....	280,839	29,390	10.5	20,956	1,321	7,114
1959:						
June.....	281,833	28,794	10.2	20,478	1,607	6,711
December.....	287,704	27,830	9.7	19,159	1,794	6,878

Source: Daily Statement of the U.S. Treasury and other Treasury Department releases.

Table 4.—Computed average interest rate (percent) on social security trust fund investments, total interest-bearing public debt, and long-term marketable debt at end of specified period, 1936-59

At end of—	Total interest-bearing public debt	Long-term marketable U.S. obligations	Social security trust fund investments ¹		
			Old-age and survivors insurance trust fund	Disability insurance trust fund	Unemployment trust fund
1936.....	2.570	3.088			2.50
1937.....	2.568	3.059	3.00		2.50
1938.....	2.586	2.978	3.00		2.50
1939.....	2.598	2.915	3.00		2.50
1940.....	2.566	2.868	2.84		2.50
1941.....	2.409	2.751	2.66		2.49
1942.....	2.059	2.675	2.44		2.24
1943.....	1.956	2.421	2.22		1.89
1944.....	1.919	2.326	2.20		1.91
1945.....	1.965	2.323	2.14		1.93
1946.....	2.057	2.307	2.04		1.94
1947.....	2.144	2.296	2.09		2.05
1948.....	2.216	2.310	2.20		2.16
1949.....	2.208	2.316	2.20		2.16
1950.....	2.209	2.359	2.19		2.16
1951.....	2.308	2.322	2.20		2.18
1952.....	2.353	2.320	2.30		2.30
1953.....	2.414	2.393	2.41		2.41
1954.....	2.291	2.480	2.29		2.30
1955.....	2.490	2.485	2.31		2.31
1956.....	2.671	2.482	2.52		2.53
1957.....	2.889	2.505	2.55		2.66
1958.....	2.689	2.592	2.57	2.57	2.65
1959:					
June.....	2.867	2.619	2.61	2.63	2.76
December.....	3.300	2.619	2.62	2.64	2.79

¹ Includes public and special Government obligations. Interest rate on special obligations issued to the old-age and survivors insurance trust fund from 1937 to August 1939, 3 percent; to the old-age and survivors insurance trust fund from September 1939 to September 1956 and to the unemployment trust fund from 1936 to date, average coupon rate at end of preceding month on total interest-bearing public debt, rounded to the next lowest ¼ of 1

percent; and to the old-age and survivors insurance and disability insurance trust funds from October 1956 to date, average coupon rate at end of preceding month of all marketable interest-bearing U.S. obligations of more than 5-year maturity from issue date, rounded to nearest ⅛ of 1 percent.

Source: *Daily Statement of the U. S. Treasury* and other Treasury Department releases.

compared with \$199.0 million in 1958 and \$220.4 million in 1957. The progressively smaller annual interest earnings are the result of the progressively smaller assets of the State accounts in recent years: in 1957 they totaled \$8.6 million; in 1958, \$6.9 million; and in 1959, \$6.8 billion.

Withdrawals from the State accounts for benefit payments during 1959 totaled \$2.3 billion. Although this sum was 35.1 percent less than the all-time peak of \$3.5 billion withdrawn in 1958, it was 31.7 percent more than 1957 withdrawals and also topped the \$2.0 billion withdrawn in the 1954 recession year. It should be noted that the sum represents not actual benefit payments but withdrawals by the States from their unemployment accounts with the Federal Government for deposit in their own local accounts, from which the benefits are paid.

The railroad unemployment insurance account—from which are paid cash sickness and maternity

benefits to railroad workers, as well as unemployment insurance benefits—is in financial difficulties. From a peak in 1948 of almost \$1 billion, the balance has gradually dwindled to its lowest level. The 1958 and 1959 amendments to the Railroad Unemployment Insurance Act included several provisions aimed at remedying the situation:

(1) In arriving in any given year at the September 30 balance of the account (which establishes the tax rate for the coming year under a schedule set forth in the act), the balance to the credit of the railroad unemployment insurance administration fund on that date is deemed to be part of the balance of the railroad unemployment insurance account.

(2) The administration fund is set up as an account in the unemployment trust fund, and its assets earn interest as do the State accounts, the railroad unemployment insurance account, and the Federal unemployment account.

(3) The railroad retirement account, a separate trust fund, is empowered to loan money to the railroad unemployment insurance account to be repaid, with interest at 3 percent, whenever the unemployment insurance account balance is large enough to cover benefits and repayments. Unrepaid loans and accrued interest are not to be counted in the September 30 balance for determining the next year's tax rate.

(4) Most far-reaching of all, the 1959 amendments raised the contribution rate schedule. The former sliding scale ranged from a minimum of ½ of 1 percent on September 30 balances of \$450 million or more to a maximum of 3 percent on balances of less than \$250 million in steps of ½ of 1 percent for each \$50 million drop. The present scale ranges from 1½ percent on September 30 balances of \$450 million or more to 3¾ percent on balances of less than \$300 million.

From a total of \$87.2 million at the beginning of 1959, the combined balances of the railroad unemployment insurance account and the railroad unemployment insurance administration fund declined to \$54.4 million on March 31, to \$29.3 million on June 30, \$5.6 million on September 30, and \$5.3 million at the close of the year. The administration fund averaged \$5.5 million each quarter; amounts in excess of \$6 million have to be turned over to the unemployment insurance account each year. The combined quarterly balances include the proceeds of loans from the railroad retirement account totaling \$124.4 million—\$52.6 million borrowed in the third quarter, of which \$16.5 million was repaid in that quarter, and \$71.7 million borrowed in the fourth quarter, of which \$28.0 million was repaid in that quarter. If the unrepaid balance of \$36.1 million on September 30 (\$79.9 million at the end of the year) were disregarded, the 1960 tax rate would not be raised because the low combined balance automatically placed it at the new 3¾-percent maximum.

Railroad unemployment insurance benefits totaling \$299.2 million were paid in 1959. They were about 6 percent higher than the previous peak

benefits of \$282.3 million paid in 1958 and 46.6 percent more than benefits paid in 1954, in its turn a peak year.

Except for interest earned and loans repaid, there has been no income credited to the Federal unemployment account in the unemployment trust fund since the third quarter of 1958. The balance remained slightly above its statutory \$200 million until the third quarter of 1958, when loans to State unemployment insurance systems affected by the recession reduced the account to \$93.7 million. Interest payments brought the balance up to \$96.4 million at the end of the first quarter of 1959. This entire sum was loaned to Pennsylvania in the second quarter; the account ended the quarter with a balance of \$1.4 million representing the quarterly interest payment. At the end of the year the account stood at \$4.4 million, composed solely of interest received. It should be noted that the Federal unemployment account is credited with and receives interest not only on its average daily balance, as do all the other accounts in the unemployment trust fund, but also on the total loans outstanding to State systems (less any repayable advances from the Treasury for loan-making purposes). No transfers for administrative expenses were made from the account to the Bureau of Employment Security in 1959; a small unobligated remainder (\$6,773) of previous transfers to the Bureau was returned to the account.

Investments.—Investment of the assets of all the accounts composing the unemployment trust fund is made by the Secretary of the Treasury for the fund as a unit. Interest earned on investments is distributed quarterly among all the accounts on the basis of the average daily balance of each account. Permissible types of investments are the same as for the old-age and survivors insurance and disability insurance trust funds.

During 1959 the fund's invested assets declined \$236 million, or 3.3 percent, compared with a decrease of \$2.0 billion or 21.8 percent in 1958. Cash balances were relatively the same at the end of the year as at the beginning—about \$8.5 million. The entire decrease in the fund's in-

Table 5.—Operations of the disability insurance trust fund, calendar years 1958 and 1959

[In thousands]

Item	1959	1958
Total assets, Jan. 1.....	\$1,378,514	\$649,349
Receipts, calendar year:		
Contributions and transfers:		
Appropriations (taxes).....	849,493	891,481
Deposits arising from State agreements.....	51,486	74,027
Gross contributions.....	900,979	965,509
Less payments to Treasury for taxes subject to refund.....	9,750
Net contributions.....	891,229	965,509
Plus transfers from railroad retirement account under the financial inter- change.....	21,400
Net insurance contributions and transfers.....	912,629	965,509
Interest and profit:		
On investments.....	41,366	25,379
On transfer from railroad retirement account.....	580
Gross interest received.....	41,946	25,379
Less interest transferred to old-age and survivors insurance trust fund with reimbursed administrative expenses.....	1,165	288
Net interest received.....	40,781	25,091
Total net receipts.....	953,410	990,600
Disbursements, calendar year:		
Benefit payments.....	456,722	248,958
Administrative expenses:		
Department of Health, Education, and Welfare.....	46,308	9,149
Treasury Department.....	3,687	3,328
Total administrative expenses.....	49,995	12,477
Total disbursements.....	506,717	261,435
Net addition to trust fund.....	446,693	729,165
Total assets, Dec. 31.....	1,825,206	1,378,514

vestments occurred in the special-obligations sector of the portfolio; total holdings of public issues rose \$25.0 million (face value) during the year.

Among them, the three social security trust funds had a net decrease in their invested assets of \$1.6 billion during the year. Their total investments on December 31 stood at \$27.8 billion (table 3). This sum represented 9.7 percent of the total interest-bearing public debt, compared with 10.5 percent a year earlier.

On December 31, 1959, special obligations accounted for \$23 billion—85 percent or about the same proportion as at the end of the preceding year—of the total investments of the three funds. Of this amount, \$6.1 billion, or 26 percent of all holdings of special obligations, was invested in certificates of indebtedness maturing 6 months later, on June 30. At the end of 1958, certificates of indebtedness maturing the following June accounted for 64 percent of all special obligations held by the three funds.

Interest rate.—The 1956 amendments to the Social Security Act did not affect the interest formula or the maturities of special obligations issued to the unemployment trust fund—a fund essentially different in character and purpose from the old-age and survivors insurance and disabili-

ty insurance trust funds. The formula remained the same as the "old" formula for the other two funds: the average interest rate on the total interest-bearing public debt at the end of the previous month, rounded to the next lowest $\frac{1}{8}$ of 1 percent.

At the start of 1959 the special obligations held by the unemployment trust fund were all 2 $\frac{1}{2}$ -percent certificates of indebtedness maturing on June 30, 1959. At maturity these were "rolled over" for new 1-year certificates bearing interest at 2 $\frac{3}{4}$ percent. During the second half of the year, as the average rate on the public debt went higher, additional certificates were acquired at interest rates of 2 $\frac{7}{8}$ percent, 3 $\frac{1}{8}$ percent, and 3 $\frac{1}{4}$ percent. As the average rate on the public debt in December was 3.300 percent, certificates acquired in January 1960 would also bear interest at 3 $\frac{1}{4}$ percent.

Related Trust Funds

In 1959, total receipts of the railroad retirement account amounted to \$932 million—\$560 million in contribution income, \$119 million in interest (including \$7 million net interest on the financial interchange transactions), and \$253 million, net, received from the old-age, survivors, and disability insurance system as

(Continued on page 31)

Table 8.—Public assistance in the United States, by month, January 1959–January 1960¹

[Except for general assistance, includes vendor payments for medical care and cases receiving only such payments]

Year and month	Total ²	Old-age assistance	Aid to dependent children		Aid to the blind	Aid to the permanently and totally disabled	General assistance (cases) ⁴	Total	Old-age assistance	Aid to dependent children (recipients)	Aid to the blind	Aid to the permanently and totally disabled	General assistance (cases)				
			Families	Recipients													
				Total ³										Children			
Number of recipients													Percentage change from previous month				
1959																	
January		2,448,033	763,380	2,878,412	2,206,932	109,707	329,479	471,000									
February		2,438,436	769,185	2,901,611	2,224,849	109,468	330,345	480,000	-0.3	+1.0	-0.1	+0.5	+8.4				
March ⁵		2,433,848	775,557	2,917,045	2,235,296	109,259	331,294	480,000	-0.4	+0.8	-0.2	+0.3	+1.9				
April ⁶		2,431,092	781,132	2,940,529	2,255,313	109,542	335,134	460,000	-0.1	+0.8	+0.1	+0.7	(⁷)				
May ⁶		2,427,898	781,114	2,942,741	2,255,628	109,538	337,495	412,000	-0.2	+0.5	(⁸)	+0.8	-6.3				
June ⁸		2,419,885	777,632	2,929,886	2,246,965	109,445	339,214	387,000	-0.1	(⁹)	(⁹)	+0.8	-8.3				
July		2,413,938	772,222	2,911,086	2,233,672	109,443	341,355	370,000	-0.3	-0.5	-0.1	+0.5	-6.1				
August		2,407,910	771,156	2,910,596	2,235,272	109,325	342,616	380,000	-0.2	(⁹)	(⁹)	+0.4	-4.5				
September		2,404,265	771,981	2,917,419	2,241,727	109,291	344,477	395,000	-0.2	+0.2	(⁹)	+0.4	+2.8				
October		2,401,104	771,432	2,918,520	2,244,305	109,142	346,832	403,000	-0.1	(⁹)	(⁹)	+0.5	+3.3				
November		2,397,929	773,088	2,926,323	2,251,386	109,068	348,206	413,000	-0.1	+0.3	(⁹)	+0.4	+2.6				
December		2,394,125	778,832	2,953,135	2,272,096	109,057	350,325	399,000	-0.2	+0.9	(⁹)	+0.6	-3.3				
1960																	
January		2,387,468	781,204	2,964,135	2,281,267	108,862	351,972	412,000	-0.3	+0.4	-0.2	+0.5	+3.0				
Amount of assistance													Percentage change from previous month				
1959																	
January	\$306,714,000	\$157,827,831	\$81,475,458	\$7,481,605	\$20,741,887	\$31,921,000			+1.1	+0.3	+1.0	-0.3	+1.1	+6.6			
February	308,052,000	156,529,222	82,692,290	7,467,038	20,902,565	32,552,000			+0.4	-0.8	+1.5	-0.2	+0.8	-2.0			
March ⁵	310,681,000	156,566,456	83,648,244	7,523,686	21,091,117	33,216,000			+0.9	+1.1	+1.7	+1.1	+1.6	+2.0			
April ⁶	309,438,000	156,834,503	84,509,504	7,512,199	21,240,340	30,762,000			-0.4	(⁷)	+0.2	-0.4	+0.2	-7.4			
May ⁶	307,265,000	157,332,423	84,732,412	7,578,135	21,632,321	27,731,000			-0.7	+0.4	+0.5	+0.7	+2.0	-9.9			
June ⁸	303,051,000	156,713,320	83,161,976	7,556,409	21,496,002	25,465,000			-1.4	-0.4	-1.6	-0.1	+0.2	-8.2			
July	299,884,000	155,561,621	82,658,813	7,563,706	21,586,726	24,673,000			-1.1	-0.7	-0.6	+0.1	+0.4	-3.1			
August	300,728,000	155,474,907	82,469,933	7,554,696	21,686,592	25,719,000			+0.3	-0.1	-0.2	-0.1	+0.5	+4.2			
September	304,707,000	155,909,481	83,445,777	7,541,305	21,945,382	27,345,000			+1.3	+0.3	+1.2	-0.2	+1.2	+6.3			
October	307,959,000	157,581,948	83,768,710	7,535,895	22,237,528	28,599,000			+1.1	+1.1	+0.4	-0.1	+1.3	+4.6			
November	308,636,000	157,126,976	84,187,394	7,547,728	22,265,642	28,737,000			+0.2	-0.3	+0.5	+0.2	+0.1	+0.5			
December	309,885,000	157,669,195	85,686,971	7,774,967	22,644,000	27,735,000			+0.4	+0.3	+1.3	+3.0	+1.7	-3.5			
1960																	
January	312,149,000	159,086,747	86,078,614	7,865,690	22,678,544	28,193,000			+0.7	+0.9	+0.5	+1.2	+0.2	+1.7			

¹ For definition of terms see the *Bulletin*, October 1957, p. 18. All data subject to revision.

² Total exceeds sum of columns because of inclusion of vendor payments for medical care from general assistance funds and from special medical funds; data for such expenditures partly estimated for some States.

³ Includes as recipients the children and 1 parent or other adult relative in families in which the requirements of at least 1 such adult were considered in determining the amount of assistance.

⁴ Excludes Idaho; data not available.

⁵ Increase of less than 0.05 percent.

⁶ Except for general assistance, data included for Illinois understated for March, overstated for April, and partly estimated for May because of administrative change in the processing of payments. Percentage changes for the special types of public assistance based on data excluding Illinois.

⁷ Decrease of less than 0.05 percent.

⁸ Percentage changes for the special types of public assistance based on data excluding Illinois (data not comparable, see footnote 6).

TRUST FUND OPERATIONS

(Continued from page 23)

payments in lieu of benefits under the financial interchange. Railroad retirement benefits of \$856 million were paid in 1959, and administrative expenses were \$10 million. Assets of the railroad retirement account on December 31, 1959, totaled \$3,690 million, of which \$3,610 million was invested in U.S. Government securities (\$3,401 million in Treasury special 3-percent notes and \$209 million in public issues), \$80 million was on loan at 3-percent interest to the railroad unemployment insurance account in the unemployment trust fund, and \$1 million was in undis-

bursed cash balances. The interest rate for special obligations issued to the railroad retirement account is set by law at 3 percent.

Contributions to the civil-service retirement and disability fund totaled \$1,495 million in 1959, and \$223 million was earned in interest. Monthly benefits of \$741 million were paid during the year, and about \$110 million was refunded as lump sums to persons leaving the Federal service. The administrative expenses of the civil-service retirement program are not chargeable to the fund but rather to the General Treasury. At the end of 1959, invested assets amounted to \$9,438 million.

All types of special Government obligations totaled \$43.5 billion at the end of 1959—15.1 percent of the outstanding interest-bearing Federal debt, compared with 16.0 percent in 1958. Together the three social security funds held 53.7 percent of all special obligations, in 1958 they held 55.9 percent, and in the 3 previous years about 59 percent. Most of the remainder was held by related trust funds, including the civil-service retirement and disability fund (20 percent in 1959, 18 percent in 1958), the several veterans' insurance funds (16 percent in 1959, 15 percent in 1958), and the railroad retirement account (about 8 percent in both years).