

and disability insurance and, for each type of government, on State and local employment covered by both old-age, survivors, and disability insurance and staff retirement systems.

## OASDI AND STAFF RETIREMENT SYSTEMS

About 50,000 of the 2.6 million employees who had dual coverage in January 1961 had no retirement protection before being covered by old-age, survivors, and disability insurance.<sup>4</sup> Specifically, State employees in Arkansas, Kentucky, and Missouri were covered initially by the Social Security Act in 1951; retirement systems for these employees were established in Kentucky in 1956 and in Arkansas and in Missouri in 1957.<sup>5</sup>

Except for employees in those States, employees now covered by old-age, survivors, and disability insurance and a staff retirement system were members of existing systems before obtaining coverage under the Social Security Act. Some States added old-age, survivors, and disability insurance without changing the benefits and contributions of their retirement systems; others modified their retirement systems to take old-age, survivors, and disability insurance benefits and contributions into account. Members of staff retirement systems that offered employees a totally additive arrangement (full benefits under the staff retirement system plus old-age, survivors, and disability insurance coverage)<sup>6</sup> numbered more than 1 million as of January 1961, when old-age, survivors, and disability insurance was extended to the positions covered by these systems. The remaining 1.5 million employees who had dual coverage were members of systems in which some modification was made at

the time old-age, survivors, and disability insurance was extended. Employees who were members of systems that were dissolved and who were then covered by old-age, survivors, and disability insurance and later made members of newly established systems are included in the 1.5 million.

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## Proposed Social Security Budget, 1962-63\*

On January 18, 1962, President Kennedy transmitted to Congress the Budget of the United States for the fiscal year ending June 30, 1963. Of budget proposals totaling \$92.5 billion, \$58 billion, or 63 percent, is requested for national defense, international, and space programs.

The new budget mirrors important shifts in direction and emphasis for certain of the domestic civil functions most closely connected with the Department of Health, Education, and Welfare. "Labor and welfare" was the functional classification of the budget that formerly included the entire administrative budget of the Social Security Administration as well as the budget for the health and education activities of the Federal Government. This classification has now been divided into "health, labor, and welfare" and "education."

The 1963 Budget proposes \$5.1 billion for "health, labor, and welfare," of which \$3.0 billion is for Social Security Administration programs under existing and proposed legislation. On the basis of the cash consolidated budget, which includes the administrative budget (appropriations requested from general funds) plus the operations of trust and public enterprise funds, an additional \$21.6 billion will be spent for "health, labor, and welfare," of which about \$15.3 billion is for old-age, survivors, and disability insurance. Not all this sum, however, is subject to the budgetary process.

Appropriations proposed for the Social Security Administration for the coming fiscal year total \$3.3 billion on the cash consolidated basis and \$3.0 billion on the basis of the administrative budget. Details of the proposals, with comparable figures for 1960-61 and 1961-62, are set forth in the accompanying table.

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<sup>4</sup> South Dakota and Utah adopted old-age, survivors, and disability insurance coverage in 1951 after dissolving State-administered retirement systems. In 1959 and 1961, respectively, these States established new retirement systems that provided dual coverage for employees.

<sup>5</sup> State employees in West Virginia and in Kansas, who were also covered initially by the Federal program, had dual coverage effective in July 1961 and January 1962, respectively, as a result of 1961 legislation creating retirement systems. Since they did not have dual coverage as of January 1961, they were not included in the estimated 2.6 million employees with dual coverage.

<sup>6</sup> New York State offered employees a totally additive arrangement but also offered them the option of reducing their contributions to the retirement system by the amount of old-age, survivors, and disability insurance contributions. Selection of this option reduced the member's retirement allowance.

More than 95 percent of the administrative budget proposals is for the programs of grants for public assistance, maternal and child health and welfare, research, and training of public welfare personnel. Congress authorized these training grants in the 1956 amendments to the Social Security Act but has not yet appropriated funds to begin the program; \$3.5 million is requested for 1962-63. Cooperative research or demonstration projects in social security, now coming up for their third appropriation, have so far been awarded as grants to public and private nonprofit bodies rather than as contracts. The \$1.9 million requested for 1962-63 is to be available until expended for the full cost of projects initiated in that year and the continuation of earlier projects. The special foreign currency research program is also expected to develop in terms of grants; it is proposed to purchase \$1.8 million in foreign "counterpart" funds to finance research abroad in fields of interest to the countries concerned and the Social Security Administration.

The largest grant programs are those for public assistance. Total amounts of Federal, State, and local expenditures for these programs in 1962-63 are estimated at \$4.6 billion, of which \$2.7 billion

represents the Federal share of both assistance payments and administration. The appropriation request is for a somewhat smaller sum because the States will have available for expenditure Federal funds of about \$21 million in the form of collections and adjustments pertaining to earlier years.

Total Federal expenditures are estimated at \$1.2 billion for old-age assistance, \$218 million for medical assistance for the aged, \$847 million for aid to dependent children, \$44 million for aid to the blind, \$195 million for aid to the permanently and totally disabled, and \$179 million for State and local administration. The Federal share estimated for 1962-63 is about 6 percent higher than the \$2.5 billion (including a supplemental appropriation request of \$140 million) appropriated for 1961-62. All programs except aid to the blind contribute to the increase, with the largest rise—\$88 million—occurring in medical assistance for the aged as more States initiate such programs.

Certain of the increases are based on the assumption that temporary legislation expiring June 30, 1962, would continue in effect during 1963—that is, the increased Federal participation

Appropriations <sup>1</sup> budgeted for Social Security Administration programs, fiscal years 1960-61, 1961-62, and 1962-63

[In millions]

Bureau, item, and source of appropriation	1960-61, enacted	1961-62, estimated	1962-63, estimated
Total, cash consolidated budget under existing and proposed legislation.....	\$2,471.0	\$2,896.1	\$3,287.9
Total under existing legislation.....	2,471.0	2,896.1	3,149.9
General funds (administrative budget), under existing and proposed legislation, total.....	2,235.0	2,620.1	2,997.6
General funds (administrative budget), under existing legislation, total.....	2,235.0	2,620.1	2,859.6
Bureau of Family Services, under existing and proposed legislation.....	2,179.7	2,545.4	2,834.8
Under existing legislation.....	2,179.7	2,545.4	2,696.8
Grants to States for public assistance.....	2,177.0	<sup>2</sup> 2,541.2	2,688.3
Grants to States for training of public welfare personnel.....			3.5
Assistance for repatriated United States nationals.....		.8	.9
Salaries and expenses.....	2.7	3.4	4.1
Under proposed legislation.....			138.0
Assistance to Cuban refugees <sup>3</sup> .....			45.0
Improvement of effectiveness of public welfare programs <sup>4</sup> .....			93.0
Children's Bureau.....	54.5	71.8	79.7
Grants to States for maternal and child health and welfare.....	51.8	69.1	76.8
White House Conference on Children and Youth.....	.2		
Salaries and expenses.....	2.5	2.7	2.9
Bureau of Old-Age and Survivors Insurance.....			78.6
Payments for military service credits.....			78.6
Office of the Commissioner.....	.8	2.9	4.5
Cooperative research or demonstration projects in social security.....	.4	.7	1.9
International Social Security Association meeting.....			.1
Research and training, special foreign currency program.....		1.6	1.8
Salaries and expenses.....	.4	.6	.7
Trust <sup>5</sup> and public enterprise <sup>6</sup> funds:			
Bureau of Old-Age and Survivors Insurance.....	232.5	271.9	285.8
Limitations on salaries and expenses.....	232.2	267.6	285.4
Limitations on construction, additional.....		4.0	
Reimbursement, Office of the Commissioner, salaries and expenses.....	.3		.4
Bureau of Federal Credit Unions, expenditures.....	3.5	4.1	4.5

<sup>1</sup> New obligational authority, except as stated.

<sup>2</sup> Includes a supplemental appropriation request for \$140 million.

<sup>3</sup> During 1961-62 these activities are being conducted by the Department of Health, Education, and Welfare with funds allocated under the Mutual Security Act and the Act for International Development.

<sup>4</sup> Some part of this appropriation is proposed for Children's Bureau ex-

penditure in connection with the child welfare services program.

<sup>5</sup> Old-age and survivors insurance trust fund with subsequent reimbursement from disability insurance trust fund.

<sup>6</sup> Funds derived from operations of the Bureau of Federal Credit Unions. Source: *The Budget of the United States Government for the Fiscal Year Ending June 30, 1963, 1962.*

in individual payments of old-age assistance, aid to the blind, and aid to the disabled; and the extension of aid to children of unemployed parents and to certain children placed in foster-family homes by the courts.

In connection with the budget request of \$93 million for improving the effectiveness of public welfare programs under legislation he was about to propose, President Kennedy said in his Budget Message:

Many American families rely for help and for a new start in life upon the public assistance programs. Yet these programs frequently lack both the services and the means to discharge their purpose constructively. This budget includes substantial increases for public assistance. I am also proposing a significant modernization and strengthening of the welfare programs to emphasize those services which can help restore families to self-sufficiency.

The Department of Health, Education, and Welfare has been providing emergency financial assistance, education, vocational training, and resettlement assistance for refugees from Cuba since February 1961 with funds appropriated under the Mutual Security Act and the Act for International Development. It is proposed to continue the Cuban refugee aid along these lines with an appropriation of \$45 million in 1962-63 for direct operations by the Department.

It is proposed in 1962-63 to make the first of seven equal annual installment payments of \$78.6 million each from general funds to the old-age, survivors, and disability insurance trust funds for military service credits extended to World War II veterans on a noncontributory basis. Congress has authorized, withdrawn authority, and again authorized appropriation of sums necessary to meet the cost to the trust funds of the additional benefits. The payments now proposed would reimburse the trust funds for benefits paid during September 1, 1950, through June 30, 1960, as a result of the military service wage credits.

The United States joined the International Social Security Association in 1958; it will be host to the triennial general meeting of the organization in 1964. The 1962-63 budget requests \$100,000 to remain available until June 1965, for the purpose of planning, organizing, and holding the meeting in the District of Columbia.

The largest single item of expenditure by the

Social Security Administration—benefit payments from the old-age and survivors insurance and disability insurance trust funds—is not subject to congressional appropriation or limitation through the budgetary process. The Social Security Act sets forth the conditions of eligibility, and all qualified applicants are paid benefits according to the specifications in the Act. Administrative expenses, including the cost of construction of a headquarters building in Baltimore for the Bureau of Old-Age and Survivors Insurance, are subject to congressional approval in the form of annual overall limitations on expenditures, which are, in effect, appropriations from the trust funds.

For 1962-63 the proposed limitation on salaries and expenses for the Bureau in Baltimore is \$285.4 million, compared with \$267.6 million estimated for 1961-62. An additional \$400,000 is proposed for reimbursement from the trust funds for salaries and expenses of the Office of the Commissioner of Social Security; this sum is not included in the appropriation requested for the Commissioner's Office from general funds.

Legislation is being proposed to provide a program of health insurance for the aged under the social security system. A tax of  $\frac{1}{4}$  of 1 percent each for employers and employees ( $\frac{3}{8}$  of 1 percent for the self-employed), plus an increase in the covered wage base from \$4,800 to \$5,200, is proposed to finance the program. Revenues from the increase in the covered wage base beginning January 1, 1963, are expected to amount to \$42 million in the last half of the fiscal year 1962-63. There would be no benefit expenditures in 1962-63 because, as with the old-age benefits and later the disability benefits, the program would not be in operation until the year following enactment of the legislation.

The expenditures of the Bureau of Federal Credit Unions are budgeted at \$4.5 million for 1962-63. Operating funds for this Bureau are derived from the fees it charges for services performed. These services include chartering new Federal credit unions, supervising established Federal credit unions, and making periodic examinations of their financial condition and operating practices. The Bureau's income and outgo have been budgeted as a public enterprise fund since 1953.