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APPROPRIATION LANGUAGE

PAYMENTS TO SOCIAL SECURITY TRUST FUNDS

For payment to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, as provided under sections 201(m), 217(g), 228(g), and 1131(b)(2) of the Social Security Act, [\$20,404,000]\$21,404,000. (*Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2010.*)

**GENERAL STATEMENT**

The Payments to Social Security Trust Funds (PTF) account provides Federal fund payments to the Social Security trust funds for several distinct activities. The purpose of each requested payment is to put the trust funds in the same financial position they would have been in had they not borne the cost of certain benefits or administrative expenses chargeable to general revenues. This account includes payments requiring an annual appropriation and payments made to the trust funds under permanent indefinite authority.

**ANNUAL APPROPRIATION**

The annual PTF appropriation provides reimbursement to the Social Security trust funds for four non-trust fund activities. These activities include special payments for certain uninsured persons (also known as Prouty Benefits), pension reform, interest on unnegotiated checks, and a quinquennial adjustment for military service wage credits.<sup>1</sup> The estimated annual appropriation and resulting obligations for FY 2011 are shown below.

**Table 1.1—Annual Appropriation and Obligations**

	<b>FY 2010 Enacted</b>	<b>FY 2011 Estimate<sup>2</sup></b>	<b>FY10 to FY11 Change</b>
<b>Appropriation</b>	<b>\$ 20,404,000</b>	<b>\$ 21,404,000</b>	<b>+ \$ 1,000,000</b>
<b>Obligations</b>	<b>(\$ 20,404,000)</b>	<b>(\$ 21,404,000)</b>	<b>(+ \$ 1,000,000)</b>

**PERMANENT INDEFINITE AUTHORITY**

Amounts not subject to the annual appropriation include receipts from Federal income taxation of Social Security benefits, Federal Insurance Contribution Act (FICA) and Self-Employment Contribution Act (SECA) tax credits, and reimbursement for Federal employee union administrative expenses. The permanent appropriation provides that the trust funds receive the amounts collected from taxation of Social Security benefits (initially collected by the Treasury), are reimbursed for loss of income due to FICA and SECA tax credits, and are reimbursed for union administrative expenses borne by the trust funds but attributable to general revenues.

The Social Security Amendments of 1983 provide for taxation of up to one-half of Social Security benefits in excess of certain income thresholds. The Omnibus Reconciliation Act of 1993, P.L. 103-66, amended this provision so that up to 85 percent of benefits could be subject to

<sup>1</sup> The quinquennial adjustment for military service wage credits is authorized to be appropriated every 5 years, if it is determined necessary. The next quinquennial adjustment is due in FY 2011. Appropriations are needed to effectuate transfers from the general funds to the trust funds.

<sup>2</sup> Does not include an additional \$1,863,280, included in general provisions for the Limitation on Administrative Expenses account, to increase SSA’s acquisition workforce capacity and capabilities.

## Payments to Social Security Trust Funds

taxation. The additional amounts collected from this 1993 provision are paid to the Hospital Insurance Trust Fund; no additional income is due the Social Security trust funds as a result of the enactment of the 1993 law.

The taxes are collected as Federal income taxes; subsequently, an equivalent payment to the Social Security trust funds is made from the general funds of the Treasury. Transfers of estimated aggregate tax liabilities arising from Social Security benefits of U.S. citizens are made quarterly and then adjusted as actual receipts are known. The estimated income from these taxes is \$24,203 million in FY 2010 and \$26,686 million in FY 2011 from U.S. citizens; taxes imposed on aliens are transferred monthly and will generate estimated income of \$164 million in FY 2010 and \$171 million in FY 2011. The estimates for taxation of benefits reflect normal growth related to benefit levels and the beneficiary population.

The Social Security Amendments of 1983 also provided for the granting of FICA and SECA tax credits to individuals. The tax credits are granted at the time the individual is taxed and are funded by the general funds of the Treasury through reimbursement to the trust funds. The FICA tax credit applies only to wages earned in calendar year 1984. The SECA tax credit applies from calendar year 1984 through calendar year 1989. There are small periodic adjustments made due to tax credits being applied retroactively.

In addition to taxation of benefits and tax credits, the PTF account includes reimbursement to the trust funds from general funds, including interest, for certain administrative expenses incurred in support of Federal employee union activities. This reimbursement is included in SSA's Limitation on Administrative Expenses appropriation.

**BUDGETARY RESOURCES**

The PTF annual appropriation request for FY 2011 is \$21,404,000. SSA expects to make \$26,889,404,000 in payments to the trust funds in FY 2011, including amounts appropriated under permanent indefinite authority.

**Table 1.2—Amounts Available for Obligation**

	<b>FY 2009 (Actual)</b>	<b>FY 2010 (Enacted)</b>	<b>FY 2011 (Estimate)<sup>1</sup></b>
<b>Annual Appropriation</b>	<b>\$ 20,405,820</b>	<b>\$ 20,404,000</b>	<b>\$ 21,404,000</b>
<b>Permanent Appropriation</b>	<b>\$ 20,812,994,526</b>	<b>\$ 24,378,000,000</b>	<b>\$ 26,868,000,000</b>
Total Appropriation	\$ 20,833,400,346	\$ 24,398,404,000	\$ 26,889,404,000
Adjustments in Expired Accounts	-\$ 371,478		
Subtotal, Adjusted Appropriation	\$ 20,833,028,868	\$ 24,398,404,000	\$ 26,889,404,000
Unobligated Balance, Start-of-Year	\$ 12,942,027	\$ 12,928,608	\$ 12,878,608
Recovery of Prior-Year Obligations	\$ 27,343	\$ 0	\$ 0
<b>Subtotal Budgetary Resources</b>	<b>\$ 20,845,998,238</b>	<b>\$ 24,411,332,608</b>	<b>\$ 26,902,282,608</b>
<b>Obligations</b>	<b>(\$ 20,822,238,609)</b>	<b>(\$ 24,398,454,000)</b>	<b>(\$ 26,889,454,000)</b>
Unobligated Balance, End-of-Year	\$ 12,928,608	\$ 12,878,608	\$ 12,828,608
Unobligated Balance, Lapsing	\$ 10,831,021	\$ 0	\$ 0

The unobligated balances represent funds appropriated for the Coal Industry Retiree Health Benefits Act (CIRHBA) in FY 1996 and FY 1997 and made available until expended. The lapsed unobligated balances represent the amount of the annual appropriation not obligated in the current year.

<sup>1</sup> Does not include an additional \$1,863,280, included in general provisions for the Limitation on Administrative Expenses account, to increase SSA's acquisition workforce capacity and capabilities.

**ANALYSIS OF CHANGES**

The FY 2011 annual appropriation request is \$1,000,000 greater than the FY 2010 enacted appropriation. The increase in the request is due to an increase in the estimated obligations for military service credits. The obligations reported below include CIRHBA activity, funded from unobligated balances carried forward from prior years. These funds were provided in FY 1996 and FY 1997 and remain available until expended.

**Table 1.3—Summary of Changes**

	<b>FY 2010 Enacted</b>	<b>FY 2011 Estimate<sup>1</sup></b>	<b>FY 10 to FY 11 Change</b>
<b>Appropriation</b>	\$ 20,404,000	\$ 21,404,000	+ \$ 1,000,000
<b>Obligations</b>	(\$ 20,454,000)	(\$ 21,454,000)	(+ \$ 1,000,000)

**Table 1.4—Explanation of Changes in Budget Authority**

	<b>FY 2010 Base Budget Authority</b>	<b>Change from Base</b>
<b>Increases to Budget Authority</b>		
<u>Military Service Credits</u> – Quinquennial adjustment in military service credits, as determined to be necessary	\$ 0	+ \$ 1,000,000
<b>Total Increases</b>		<b>+ \$ 1,000,000</b>
<b>Total Net Change in Budget Authority</b>		<b>+ \$ 1,000,000</b>

<sup>1</sup> Does not include an additional \$1,863,280, included in general provisions for the Limitation on Administrative Expenses account, to increase SSA’s acquisition workforce capacity and capabilities.

**BUDGET AUTHORITY AND OBLIGATIONS BY ACTIVITY**

The table below displays the budget authority and obligations for each of the PTF activities funded by the annual appropriation. The quinquennial adjustment for Military Service Wage Credits is prepared every five years and is due in FY 2011. Coal Industry Retiree Health Benefit obligations are funded from prior year unobligated balances.

**Table 1.5—New Budget Authority & Obligations, Current Authority  
(in thousands)**

	<b>FY 2009 Actual</b>	<b>FY 2010 Enacted</b>	<b>FY 2011 Estimate<sup>1</sup></b>
<b><u>Appropriation</u></b>			
Special Payments for Certain Uninsured Persons	\$ 6	\$ 4	\$ 4
Pension Reform	\$ 6,400	\$ 6,400	\$ 6,400
Unnegotiated Checks	\$ 14,000	\$ 14,000	\$ 14,000
Quinquennial Adj. for Military Wage Credits	\$ 0	\$ 0	\$ 1,000
Coal Industry Retiree Health Benefits	\$ 0	\$ 0	\$ 0
<b>Total Annual Appropriation</b>	<b>\$ 20,406</b>	<b>\$ 20,404</b>	<b>\$ 21,404</b>
<b><u>Obligations</u></b>			
Special Payments for Certain Uninsured Persons	(\$ 6)	(\$ 4)	(\$ 4)
Pension Reform	(\$ 813)	(\$ 6,400)	(\$ 6,400)
Unnegotiated Checks	(\$ 8,756)	(\$ 14,000)	(\$ 14,000)
Quinquennial Adj. for Military Wage Credits	(\$ 0)	(\$ 0)	(\$ 1,000)
Coal Industry Retiree Health Benefits	(\$ 41)	(\$ 50)	(\$ 50)
<b>Total Obligations</b>	<b>(\$ 9,616)</b>	<b>(\$ 20,454)</b>	<b>(\$ 21,454)</b>

<sup>1</sup> Does not include an additional \$1,863,280, included in general provisions for the Limitation on Administrative Expenses account, to increase SSA's acquisition workforce capacity and capabilities.



## Payments to Social Security Trust Funds

The table below displays budget authority and obligations for the PTF activities not subject to the annual appropriation. This includes taxation of benefits, FICA and SECA tax credits, and reimbursement for certain union administrative expenses. The actual amount appropriated for these activities is determined by the actual amount collected from taxation of benefits and provided as FICA/SECA tax credits and actual union administrative expenses subject to reimbursement.

**Table 1.6—Budget Authority and Obligations,  
Permanent Indefinite Authority  
(in thousands)**

	<b>FY 2009 Actual</b>	<b>FY 2010 Enacted</b>	<b>FY 2011 Estimate<sup>1</sup></b>
<b><u>Appropriation</u></b>			
Reimb. for Union Administrative Expenses	\$ 5,476	\$ 11,000	\$ 11,000
Taxation of Benefits, U.S.	\$ 20,651,438	\$ 24,203,000	\$ 26,686,000
Taxation of Benefits, Nonresident Alien	\$ 156,000	\$ 164,000	\$ 171,000
FICA Tax Credits	\$ 0	\$ 0	\$ 0
SECA Tax Credits	\$ 81	\$ 0	\$ 0
<b>Total Permanent Appropriation</b>	<b>\$ 20,812,995</b>	<b>\$ 24,378,000</b>	<b>\$ 26,868,000</b>
<b><u>Obligations</u></b>			
Reimb. for Union Administrative Expenses	(\$ 5,476)	(\$ 11,000)	(\$ 11,000)
Taxation of Benefits, U.S.	(\$ 20,651,438)	(\$ 24,203,000)	(\$ 26,686,000)
Taxation of Benefits, Nonresident Alien	(\$ 156,000)	(\$ 164,000)	(\$ 171,000)
FICA Tax Credits	(\$ 0)	(\$ 0)	(\$ 0)
SECA Tax Credits	(\$ 81)	(\$ 0)	(\$ 0)
<b>Total Obligations</b>	<b>(\$ 20,812,995)</b>	<b>(\$ 24,378,000)</b>	<b>(\$ 26,868,000)</b>

<sup>1</sup> Does not include an additional \$1,863,280, included in general provisions for the Limitation on Administrative Expenses account, to increase SSA's acquisition workforce capacity and capabilities.

**OBLIGATIONS BY OBJECT**

The table below displays the obligations by object class for the total PTF account (annually and permanently appropriated funds).

**Table 1.7—Obligations by Object**  
(in thousands)

	<b>FY 2009 Actual</b>	<b>FY 2010 Enacted</b>	<b>FY 2011 Estimate<sup>1</sup></b>
<b>Insurance Claims and Indemnities</b>	\$ 20,813,927	\$ 24,381,004	\$ 26,872,004
<b>Other Services</b>	\$ 8,312	\$ 17,400	\$ 17,400
<b>Total Obligations</b>	<b>\$ 20,822,239</b>	<b>\$ 24,398,404</b>	<b>\$ 26,889,404</b>

<sup>1</sup> Does not include an additional \$1,863,280, included in general provisions for the Limitation on Administrative Expenses account, to increase SSA’s acquisition workforce capacity and capabilities.

## BACKGROUND

### AUTHORIZING LEGISLATION

The PTF account is authorized by the sections of the Social Security Act described below. Taxation of benefits is appropriated under permanent indefinite authority.

**Table 1.8—Authorizing Legislation (in thousands)**

	FY 2010 Amount Authorized	FY 2010 Enacted	FY 2011 Amount Authorized	FY 2011 Estimate <sup>1</sup>
Special payments for certain uninsured persons (Prouty): Social Security Act (S.S. Act), section 228(g)	Indefinite	\$4	Indefinite	\$ 4
Pension reform: S.S. Act, section 1131(b)(2)	Indefinite	\$ 6,400	Indefinite	\$ 6,400
Unnegotiated checks: S.S. Act, section 201(m); Social Security Amendments of 1983, section 152	Indefinite	\$ 14,000	Indefinite	\$ 14,000
Coal industry retiree health benefits: Internal Revenue Code of 1986, sections 9704 and 9706; Energy Policy Act of 1992, section 19141	Indefinite	\$ 0	Indefinite	\$ 0
Quinquennial adjustment for military service wage credits: S.S. Act, section 217(g)	Indefinite	\$ 0	Indefinite	\$ 1,000
<b>Subtotal Annual PTF Appropriation</b>		<b>\$ 20,404</b>		<b>\$ 21,404</b>
Reimbursement for union administrative expenses: FY 2008 Appropriation, P.L. 110-161	Indefinite	\$ 11,000	Indefinite	\$ 11,000
Taxation of benefits, U.S.: Social Security Amendments of 1983, section 121	Permanent Indefinite	\$ 24,203,000	Permanent Indefinite	\$ 26,686,000
Taxation of benefits, nonresident aliens: Social Security Amendments of 1983, section 121	Permanent Indefinite	\$ 164,000	Permanent Indefinite	\$ 171,000
<b>Total Appropriation</b>		<b>\$ 24,398,404</b>		<b>\$ 26,889,404</b>

<sup>1</sup> Does not include an additional \$1,863,280, included in general provisions for the Limitation on Administrative Expenses account, to increase SSA's acquisition workforce capacity and capabilities.

**APPROPRIATION HISTORY**

The table below displays the annual appropriation requested by SSA, amounts approved by the House and Senate, and the amount ultimately appropriated by Congress. This does not include amounts appropriated under permanent indefinite authority. The FY 2006 appropriation included a supplemental appropriation for hurricane relief. The FY 2007 appropriation included a one-time reimbursement to the trust funds for an overpayment made from the trust funds to the IRS. The quinquennial adjustment for Military Service Wage Credits is included in the FY 2002 and FY 2008 enacted appropriations, as well as the FY 2011 request.

**Table 1.9—Appropriation History Table**

Fiscal Year	Budget Estimate to Congress	House Passed	Senate Passed	Enacted Appropriation
2001 <sup>1</sup>	\$ 20,400,000	\$ 20,400,000	\$ 20,400,000	\$ 20,400,000
2002	\$ 434,400,000	\$ 434,400,000	\$ 434,400,000	\$ 434,400,000
2003	\$ 20,400,000	\$ 20,400,000	\$ 20,400,000	\$ 20,400,000
2004	\$ 21,658,000	\$ 21,658,000	\$ 21,658,000	\$ 21,658,000
2005	\$ 20,454,000	\$ 20,454,000	\$ 20,454,000	\$ 20,454,000
2006	\$ 20,470,000	\$ 20,470,000	\$ 20,470,000	\$ 20,470,000
Supplemental <sup>2</sup>				\$ 38,000,000
2007 <sup>3</sup>	\$ 27,756,000	\$ 20,416,000	\$ 20,416,000	\$ 20,416,000
Trust Funds Restoration Act <sup>4</sup>				\$ 1,297,614,000
2008 <sup>5</sup>	\$ 28,140,000	\$ 28,140,000	\$ 28,140,000	\$ 28,140,000
Economic Stimulus Act <sup>6</sup>				\$ 31,000,000
2009	\$ 20,406,000	\$ 20,406,000	\$ 20,406,000	\$ 20,406,000
2010	\$ 20,404,000	\$ 20,404,000	\$ 20,404,000	\$ 20,404,000
<b>2011<sup>7</sup></b>	<b>\$ 21,404,000</b>			

<sup>1</sup> Includes \$414,000,000 for the quinquennial adjustment to the Federal Old-Age and Survivors Insurance Trust Fund for the costs of granting noncontributory credit for military service.

<sup>2</sup> FY 2006 Supplemental Appropriation providing for hurricane relief.

<sup>3</sup> The FY 2007 request included \$7,340,000 for the quinquennial adjustment to the Federal Disability Insurance Trust Fund for the costs of granting noncontributory credit for military service. This was not appropriated for FY 2007.

<sup>4</sup> Appropriation provided by the Social Security Trust Funds Restoration Act of 2006, P.L. 109-465, to repay the Social Security trust funds for an overpayment to the Internal Revenue Service for Voluntary Income Tax Withholding.

<sup>5</sup> Includes \$7,727,000 for the quinquennial adjustment to the Federal Disability Insurance Trust Fund for the costs of granting noncontributory credit for military service.

<sup>6</sup> Appropriation provided by the Economic Stimulus Act of 2008, P.L. 110-185, for agency administrative costs related to stimulus payments to Social Security Beneficiaries.

<sup>7</sup> Does not include an additional \$1,863,280, included in general provisions for the Limitation on Administrative Expenses account, to increase SSA's acquisition workforce capacity and capabilities.

**SPECIAL PAYMENTS FOR CERTAIN UNINSURED PERSONS**

**Authorizing Legislation:** Section 228(g) of the Social Security Act.

**PURPOSE AND METHOD OF OPERATION**

The purpose of this payment is to reimburse the OASI Trust Fund for the costs of special payments made to certain persons who were not insured for regular Social Security benefits (also known as “Special Age-72 Benefits” or “Prouty Benefits”). Section 228(g) of the Social Security Act, as amended, authorizes an annual appropriation of Federal funds to reimburse the OASI Trust Fund (with interest) for special monthly benefits paid during the second preceding fiscal year to persons with fewer than three quarters of coverage. The annual appropriation also includes adjustments for prior years, as necessary.

**Table 1.10—Special Payments for Certain Uninsured Persons: Budget Authority**

	FY 2009 Actual	FY 2010 Enacted	FY 2011 Estimate	FY10 to FY11 Change
Budget Authority	\$ 5,820	\$ 4,000	<b>\$ 4,000</b>	\$ 0

Benefits were authorized in a 1966 amendment to the Social Security Act (the Prouty amendment) providing for special payments to persons aged 72 and over who were too elderly to have worked long enough after passage of the Act to be insured for Social Security benefits. To be eligible under the Prouty amendment, an individual must either have attained age 72 before 1968 (general fund reimbursed payments), or meet certain minimal insured status requirements if he or she attained age 72 in 1968 or later (trust fund payments, no beneficiaries remain). In FY 2009, the maximum benefit amount was \$276.40. For individuals receiving a government pension, payments under a Federally-aided public assistance program, or payments under the Supplemental Security Income program, Prouty benefits are reduced or withheld, as required by law.

The number of persons receiving benefits under the Prouty amendment decreased gradually as the size of the aged population meeting the eligibility requirements decreased. As of September 30, 2009, there was only one person receiving benefits under the general fund reimbursement section of this program; the same as on September 30, 2008.

**Table 1.11—Special Payments for Certain Uninsured Persons: Obligations**

<b>Fiscal Year</b>	<b>Obligations</b>
FY 2004	\$ 1,258,000
FY 2005	\$ 54,000
FY 2006	\$ 70,000
FY 2007	\$ 16,000
FY 2008	\$ 13,000
FY 2009	\$ 5,820
FY 2010 Enacted	\$ 4,000
<b>FY 2011 Estimate</b>	<b>\$ 4,000</b>

**RATIONALE FOR BUDGET REQUEST**

The FY 2011 President’s budget request is for payment of \$4,000 to the OASI Trust Fund for program costs incurred in FY 2009. Program costs include benefit payments actually made, administrative expenses for maintaining the beneficiary rolls, and interest lost to the trust fund. The FY 2010 appropriation was for payment to the OASI Trust Fund for program costs incurred in FY 2008.

**PENSION REFORM**

**Authorizing Legislation:** Section 1131(b)(2) of the Social Security Act.

**PURPOSE AND METHOD OF OPERATION**

The purpose of this payment is to reimburse the OASI Trust Fund for the cost of certain pension reform activities chargeable to Federal funds.

**Table 1.12—Pension Reform: Budget Authority**

	<b>FY 2009 Actual</b>	<b>FY 2010 Enacted</b>	<b>FY 2011 Estimate</b>	<b>FY 10 to FY 11 Change</b>
Budget Authority	\$ 6,400,000	\$ 6,400,000	<b>\$ 6,400,000</b>	\$ 0

The Employee Retirement Income Security Act of 1974, P.L. 93-406 (Pension Reform Act, also known as ERISA) established section 1131 of the Social Security Act. This requires the Commissioner of Social Security to furnish information regarding deferred vested pension rights to pension plan participants (and their dependents or survivors), either upon request or automatically upon application for retirement, survivors, or disability insurance benefits.

Each time an employee leaves employment, which earned the worker vested rights to a pension, SSA receives the necessary information from the IRS, in both paper and electronic format. SSA controls, scans, and keys the paper forms through the Integrated Image-Based Data Capture System (IIBDCS). IIBDCS allows for optical character recognition or manual data entry from an electronic image. IIBDCS transfers the keyed or scanned data to the ERISA mainframe system. This data, along with electronic data received from the IRS, is added to the ERISA Master Files after name verification against the NUMIDENT (SSN record) database takes place. Each month, an activity file of new benefit applications is compared to the ERISA Master Files. Any individual in this activity file that shows a corresponding record for the worker in the ERISA Master Files is sent the required ERISA notice of pension plan eligibility, which includes the information the worker needs to contact the pension plan administrator. SSA staff also resolves exceptions and responds to inquiries from employers and the public.

Section 1131(b)(1) permits the administrative expenses of carrying out this pension reform work to be funded initially from the OASI Trust Fund through SSA's Limitation on Administrative Expenses. Section 1131(b)(2) authorizes an annual appropriation of Federal funds to reimburse the OASI Trust Fund. To the extent that resources needed to process this workload exceed the budget authority available for reimbursement in the current year, reimbursement is made to the OASI Trust Fund at the beginning of the subsequent year, including interest as appropriate. SSA began to incur pension reform administrative expenses in FY 1977.

**Table 1.13—Pension Reform: Obligations**

<b>Fiscal Year</b>	<b>Obligations</b>
FY 2005	\$ 4,291,000
FY 2006	\$ 1,942,000
FY 2007	\$ 1,125,000
FY 2008	\$ 1,200,000
FY 2009	\$ 813,000
FY 2010 Enacted	\$ 6,400,000
<b>FY 2011 Estimate</b>	<b>\$ 6,400,000</b>

**RATIONALE FOR BUDGET REQUEST**

The FY 2011 budget requests \$6,400,000 to reimburse the OASI Trust Fund for the cost of carrying out SSA’s responsibilities under the Pension Reform Act. The FY 2010 request is the same as in the FY 2009 budget. SSA has continued to receive a large volume of pension coverage reports from the IRS. The table below summarizes the recent trend:

**Table 1.14—Receipts from Pension Coverage Reports**

<b>Fiscal Year</b>	<b>Pension Coverage Report Receipts</b>
FY 2001	2,016,000
FY 2002	3,003,000
FY 2003	1,570,000
FY 2004	5,621,371
FY 2005	5,363,409
FY 2006	6,003,014
FY 2007	5,397,935
FY 2008	5,554,314
<b>FY 2009</b>	<b>6,073,898</b>



## UNNEGOTIATED CHECKS

**Authorizing Legislation:** Section 201(m) of the Social Security Act and Section 152 of P.L. 98-21.

### PURPOSE AND METHOD OF OPERATION

The purpose of this payment is to reimburse the OASI and DI Trust Funds for the value of interest on benefit checks that remain uncashed after 6 months.

**Table 1.15—Unnegotiated Checks: Budget Authority**

	FY 2009 Actual	FY 2010 Enacted	FY 2011 Estimate	FY 10 to FY11 Change
Budget Authority	\$ 14,000,000	\$ 14,000,000	<b>\$ 14,000,000</b>	\$ 0

This activity was originally established to reimburse the trust funds for uncashed benefit checks and accrued interest. Beginning October 1, 1989, Social Security checks, like those issued by other Federal agencies, are negotiable for only 12 months from their date of issue under the provisions of the Competitive Equality Banking Act (CEBA) of 1987 (P.L. 100-86). In the 14<sup>th</sup> month after issue, the Department of the Treasury prepares a listing of checks outstanding from each agency, cancels those checks, and refunds the value of checks canceled to the authorizing agencies. Under this "Limited Payability" procedure, the value of unnegotiated checks issued on or after October 1, 1989 are credited directly to the trust funds from Treasury's general fund when the checks are canceled, pursuant to P.L. 100-86. These funds do not pass through the Payments to Social Security Trust Funds account. However, the interest adjustment must be paid through this account because CEBA made no provision for it.

This appropriation funds the estimated ongoing level of activity and represents the value of interest for unnegotiated OASDI benefit checks.

**Table 1.16—Unnegotiated Checks: Obligations**

Fiscal Year	Obligations
FY 2005	\$ 8,662,115
FY 2006	\$ 9,289,828
FY 2007	\$ 10,084,755
FY 2008	\$ 11,169,140
FY 2009	\$ 8,756,319
FY 2010 Enacted	\$ 14,000,000
<b>FY 2011 Estimate</b>	<b>\$ 14,000,000</b>

**RATIONALE FOR BUDGET REQUEST**

The FY 2011 request is for \$14,000,000 to reimburse the OASDI Trust Funds for the value of interest on unnegotiated checks.

**Table 1.17—Unnegotiated Checks: Budget Authority by Trust Fund**

	<b>FY 2011 Estimate</b>
<b>OASI Trust Fund</b>	\$ 11,000,000
<b>DI Trust Fund</b>	\$ 3,000,000
<b>Total</b>	<b>\$ 14,000,000</b>

The FY 2011 request is the same as the FY 2010 estimate. The actual interest reflects the ongoing shift of beneficiaries away from the paper check method of benefit payment to direct deposit. Benefits paid via direct deposit bypass the mechanism in which there is the possibility of an uncashed check. However, the effect of the growth in direct deposit participation on unnegotiated check interest is somewhat offset by increases in the number of beneficiaries and in the average monthly benefit payments. The following table summarizes the recent trend in the percentage of OASDI beneficiaries enrolled in the direct deposit payment program.

**Table 1.18—Direct Deposit Participation Rate**

	<b>Direct Deposit Participation Rate</b>
December 2004	82%
December 2005	83%
December 2006	84%
December 2007	85%
December 2008	86%
<b>December 2009</b>	<b>87%</b>

## COAL INDUSTRY RETIREE HEALTH BENEFITS

**Authorizing Legislation:** Sections 9704 and 9706 of the Internal Revenue Code of 1986 as amended by section 19141 of the Energy Policy Act of 1992.

### PURPOSE AND METHOD OF OPERATION

The purpose of this payment is to reimburse the OASDI Trust Funds for work carried out under section 19141 of the Energy Policy Act of 1992 (Public Law 102-486), which established the Coal Industry Retiree Health Benefit Act of 1992 (CIRHBA).

**Table 1.19—Coal Industry Retiree Health Benefits: Obligations**

	FY 2009 Actual	FY 2010 Estimate	FY 2011 Estimate	FY10 to FY11 Change
New Budget Authority	\$ 0	\$ 0	<b>\$ 0</b>	\$ 0
Obligations	(\$ 40,762)	(\$ 50,000)	<b>(\$ 50,000)</b>	\$ 0

CIRHBA combined two existing United Mine Workers of America (UMWA) pension plans into a single fund and required that certain existing coal mine operators pay health benefit premiums for the new combined plan. The law directed the Commissioner of Social Security to:

- Search the earnings records of the group of retired coal miners covered by the combined plan;
- Determine which retirees should be assigned to which mine operators;
- Notify the involved mine operators of the names and Social Security numbers of eligible beneficiaries who have been assigned to them;
- Process appeals from operators who believe that assignments have been made incorrectly; and
- Compute the premiums based on a formula established in the Act.

## PROGRESS TO DATE

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SSA has completed initial decisions and reviews on all of the retired miners covered under these provisions of the 1992 CIRHBA. In addition, SSA has implemented the Coal Act provisions of The Tax Relief and Health Care Act of 2006 (P.L. 109-432), which significantly affected and restructured CIRHBA. SSA carefully reviewed the legislation, obtained legal advice, and assessed how P.L. 109-432 affected existing policies and procedures. SSA complied with the provision that specifically directed the Commissioner to “revoke all assignments to persons other than 1988 agreement operators for purposes of assessing premiums for plan years beginning on or after October 1, 2007.”

SSA has devoted considerable time and resources to comply with P.L. 109-432. All court cases challenging SSA’s involvement in the Coal Act are now closed. There is no active litigation. In the past, SSA was obligated to provide yearly data on miner assignments to the UMWA Combined Benefit Fund (CBF). However, this year SSA provided the UMWA CBF with data that should constitute the SSA’s final records on miner assignments and the companies involved in this workload. Currently, the only remaining SSA obligation is to provide yearly per beneficiary premium calculations from the Chief Actuary to the UMWA CBF.

This account provides general fund reimbursement to the trust funds to the extent that the Limitation on Administrative Expenses account advances funds for SSA to carry out this work. Additional funds are not requested for FY 2011 because the \$10,000,000 per year appropriated in FY 1996 and in FY 1997 remains available until expended to reimburse the trust funds.

## MILITARY SERVICE WAGE CREDITS

**Authorizing Legislation:** Section 217(g) of the Social Security Act.

### PURPOSE AND METHOD OF OPERATION

The purpose of this payment is to reimburse the OASDI trust funds, as necessary, for the costs of granting noncontributory wage credits for military service. Section 217(g) addresses pre-1957 military service and payments to the trust funds for this purpose are authorized to be made every five years.

**Table 1.20—Military Service Wage Credits: Budget Authority**

	FY 2009 Actual	FY 2010 Enacted	FY 2011 Estimate	FY10 to FY11 Change
Budget Authority	\$ 0	\$ 0	\$ 1,000,000	+ \$ 1,000,000

Pre-1957 Military Service: The 1946 Social Security Amendments provided for payment of Social Security benefits to World War II veterans and their survivors based upon noncontributory wage credits of \$160 for each month of the veteran’s active military service. Subsequent amendments extended the period for which these credits were granted through December 1956. For that period, the Social Security Act did not require contributions to the trust funds based on the wages of individuals in the military service. To finance the additional costs incurred in paying benefits, which are based on periods of military service before 1957 for which no contributions were made, the Social Security Act provides for reimbursement to the OASI and the DI trust funds from the general fund of the Treasury.

The Social Security Amendments of 1983 modified section 217(g) to reimburse the trust funds in a lump sum for the present value of all future benefits arising from the gratuitous credits granted for military service before 1957. This provision directed the Secretary of the Treasury to transfer the pre-1957 wage credit lump sum to the trust funds within 30 days after enactment of the legislation. This lump sum settlement, which covered periods through September 30, 2015, is subject to adjustment every fifth year beginning in 1985. For periods beginning FY 2016, the Commissioner of Social Security will determine the adjustments on the basis of benefits and administrative costs actually paid under section 217(g) and relevant actuarial assumptions in the Social Security Trustees Report. Under the 1983 amendments, the only costs of pre-1957 military service credits to these appropriations will be any additional payments due as a result of these adjustment determinations.

Following the initial transfers from the general fund to the trust funds in 1983 and 1985, the quinquennial adjustments resulted in the transfer of funds from SSA’s trust funds to the general fund of the Treasury each time until the 2000 determination was prepared. In that year, it was determined that the general fund owed a payment to the OASI trust fund instead. The FY 2002

## Payments to Social Security Trust Funds

appropriation for this transfer, including interest, was \$414,000,000. Appropriations are currently not needed to effectuate quinquennial transfers from the trust funds to the general fund.

The Office of the Chief Actuary's most recent analysis for the quinquennial adjustment determined that \$1,000,000 should be transferred to the DI trust fund from the general fund in FY 2011. This request will enable SSA to implement this quinquennial adjustment.