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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), 228(g), and 1131(b)(2) of the Social Security Act, \$16,400,000. (*Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2014.*)

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 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.¹ The estimated annual appropriation and resulting obligations for FY 2015 are shown below.

Table 1.1—Annual Appropriation and Obligations

| | FY 2013 Actual | FY 2014 Enacted | FY 2015 Estimate | FY14 to FY15 Change |
|----------------------|---------------------------|----------------------------|-----------------------------|--------------------------------|
| Appropriation | \$ 20,404,000 | \$ 16,400,000 | \$ 16,400,000 | \$ 0 |
| Obligations | \$ 5,605,551 | \$ 16,450,000 | \$ 16,450,000 | \$ 0 |

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, reimbursement for Federal employee union administrative expenses, transfers to offset the financial effects of the Food, Conservation, and Energy Act of 2008, and reimbursements for the loss in FICA tax revenue resulting from the payroll tax holiday provided by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 and extended by the Temporary Payroll Tax Cut Continuation Act of 2011. The permanent appropriation provides that the trust funds are credited for each of these revenue items.

Taxation of Social Security Benefits

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

¹ The quinquennial adjustment for military service wage credits is authorized to be appropriated every 5 years, if it is determined necessary. Appropriations are needed to effectuate transfers from the general funds to the trust funds, but not from trust funds to general funds.

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 \$25,496 million in FY 2014 and \$31,741 million in FY 2015 from U.S. citizens; taxes imposed on aliens are transferred monthly and will generate estimated income of \$189 million in FY 2014 and \$200 million in FY 2015. The estimates for taxation of benefits reflect normal growth related to benefit levels and the beneficiary population.

FICA and SECA Tax Credits

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.

Reimbursement for Employee Union Expenses

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.

Transfers to Offset Two Coverage Provisions

Section 15361 of P.L. 110-246, the Food, Conservation, and Energy Act of 2008, provides for annual transfers from the general fund of the Treasury to the OASDI trust funds in FYs 2009 through 2017 to roughly offset the financial effects of the law's two coverage provisions. Section 15301 of P.L. 110-246 excludes Conservation Reserve Program payments from SECA coverage for OASDI beneficiaries, and Section 15352 increases the limit for the optional method for computing earnings from self-employment. The transfers will be \$8 million per year both in FY 2014 and FY 2015.

Reimbursement for Payroll Tax Holiday

P.L. 111-312, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, reduced employees' payroll contributions from 6.2 percent to 4.2 percent for calendar year 2011. P.L. 112-78, the Temporary Payroll Tax Cut Continuation Act of 2011, amended P.L. 111-312 to extend the reduced payroll contributions through February 29, 2012. On February 22, 2012, a new law, the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96) extended the reduced rate through December 31, 2012. The general funds continue to reimburse the trust funds for this loss in tax revenue. The estimated reimbursement from the general fund for the payroll tax holiday is \$329 million in FY 2014 and \$44 million in FY 2015. We expect additional adjustments will occur for several years as a result of the payroll tax holiday.

BUDGETARY RESOURCES

The PTF annual appropriation request for FY 2015 is \$16,400,000. SSA expects to make \$32,020,450,000 in payments to the trust funds in FY 2015, including amounts appropriated under permanent indefinite authority.

Table 1.2—Amounts Available for Obligation

| | FY 2013 Actual | FY 2014 Estimate | FY 2015 Estimate |
|-------------------------------------|----------------------------|----------------------------|----------------------------|
| Annual Appropriation | \$ 20,404,000 | \$ 16,400,000 | \$ 16,400,000 |
| Permanent Appropriation | \$ 55,844,124,791 | \$ 26,033,000,000 | \$ 32,004,000,000 |
| Total Appropriation | \$ 55,864,528,791 | \$ 26,049,400,000 | \$ 32,020,400,000 |
| Unobligated Balance, Start-of-Year | \$ 12,876,235 | \$ 12,860,736 | \$ 12,810,736 |
| Subtotal Budgetary Resources | \$ 55,877,405,026 | \$ 26,062,260,736 | \$ 32,033,210,736 |
| Obligations | (\$ 55,849,745,841) | (\$ 26,049,450,000) | (\$ 32,020,450,000) |
| Unobligated Balance, End-of-Year | \$ 12,860,736 | \$ 12,810,736 | \$ 12,760,736 |
| Unobligated Balance, Lapsing | \$ 14,798,449 | \$ 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.

ANALYSIS OF CHANGES

The FY 2015 annual appropriation request is the same as the FY 2014 enacted level. 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

| | FY 2014 Estimate | FY 2015 Estimate | <i>FY14 to FY15 Change</i> |
|----------------------|-----------------------------|-----------------------------|---------------------------------------|
| Appropriation | \$ 16,400,000 | \$ 16,400,000 | \$ 0 |
| Obligations | \$ 16,450,000 | \$ 16,450,000 | \$ 0 |

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. Coal Industry Retiree Health Benefit obligations are funded from prior year unobligated balances.

**Table 1.4— New Budget Authority & Obligations, Current Authority
(In thousands)**

| | FY 2013 Actual | FY 2014 Estimate | FY 2015 Estimate |
|--|---------------------------|-----------------------------|-----------------------------|
| <u>Appropriation</u> | | | |
| Special Payments for Certain Uninsured Persons | \$ 4 | \$ 0 | \$ 0 |
| Pension Reform | \$ 6,400 | \$ 6,400 | \$ 6,400 |
| Unnegotiated Checks | \$ 14,000 | \$ 10,000 | \$ 10,000 |
| Quinquennial Adj. for Military Wage Credits | \$ 0 | \$ 0 | \$ 0 |
| Coal Industry Retiree Health Benefits | \$ 0 | \$ 0 | \$ 0 |
| Total Annual Appropriation | \$ 20,404 | \$ 16,400 | \$ 16,400 |
| <u>Obligations</u> | | | |
| Special Payments for Certain Uninsured Persons | \$ 2 | \$ 0 | \$ 0 |
| Pension Reform | \$ 2,521 | \$ 6,400 | \$ 6,400 |
| Unnegotiated Checks | \$ 3,083 | \$ 10,000 | \$ 10,000 |
| Quinquennial Adj. for Military Wage Credits | \$ 0 | \$ 0 | \$ 0 |
| Coal Industry Retiree Health Benefits | \$ 12 | \$ 50 | \$ 50 |
| Total Obligations | \$ 5,618 | \$ 16,450 | \$ 16,450 |

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, reimbursement for certain union administrative expenses, transfers to offset the financial effects of the Food, Conservation, and Energy Act of 2008, and reimbursements for the employee payroll tax holiday. The actual amount appropriated for these activities is determined by the actual amount collected from, or to be reimbursed for, each activity.

**Table 1.5—Budget Authority and Obligations,
Permanent Indefinite Authority
(In thousands)**

| | FY 2013 Actual | FY 2014 Estimate | FY 2015 Estimate |
|---|----------------------|----------------------|----------------------|
| <u>Appropriation</u> | | | |
| Reimb. for Union Administrative Expenses | \$ 8,703 | \$ 11,000 | \$ 11,000 |
| Food, Conservation, and Energy Act, 2008 ¹ | \$ 8,000 | \$ 8,000 | \$ 8,000 |
| Employee Payroll Tax Holiday ² | \$ 31,631,732 | \$ 329,000 | \$ 44,000 |
| Taxation of Benefits, U.S. | \$ 24,015,621 | \$ 25,496,000 | \$ 31,741,000 |
| Taxation of Benefits, Nonresident Alien | \$ 180,000 | \$ 189,000 | \$ 200,000 |
| FICA Tax Credits | \$ 0 | \$ 0 | \$ 0 |
| SECA Tax Credits | \$ 72 | \$ 0 | \$ 0 |
| Total Permanent Appropriation | \$ 55,844,128 | \$ 26,033,000 | \$ 32,004,000 |
| <u>Obligations</u> | | | |
| Reimb. for Union Administrative Expenses | \$ 8,703 | \$ 11,000 | \$ 11,000 |
| Food, Conservation, and Energy Act, 2008 | \$ 8,000 | \$ 8,000 | \$ 8,000 |
| Employee Payroll Tax Holiday | \$ 31,631,732 | \$ 329,000 | \$ 44,000 |
| Taxation of Benefits, U.S. | \$ 24,015,621 | \$ 25,496,000 | \$ 31,741,000 |
| Taxation of Benefits, Nonresident Alien | \$ 180,000 | \$ 189,000 | \$ 200,000 |
| FICA Tax Credits | \$ 0 | \$ 0 | \$ 0 |
| SECA Tax Credits | \$ 72 | \$ 0 | \$ 0 |
| Total Obligations | \$ 55,844,128 | \$ 26,033,000 | \$ 32,004,000 |

¹ P.L. 110-246, the Food, Conservation, and Energy Act of 2008 (H.R. 6124) provided that SSA's trust funds would be reimbursed for lost income resulting from enacted changes to the reporting of self-employment income (SECA taxes). The bill established that SSA would be reimbursed from FY 2009 to FY 2017.

² P.L. 111-312, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (H.R. 4853), reduced employees' payroll contributions from 6.2 percent to 4.2 percent for calendar year 2011. P.L. 112-78, the Temporary Payroll Tax Cut Continuation Act of 2011 (H.R. 3765) amended P.L. 111-312 to extend the reduced payroll contributions through February 29, 2012. On February 22, 2012, a new law, the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96) extended the reduced rate through December 31, 2012. The general funds reimburse the trust funds for the loss in tax revenue (Title VI, Sec 601).

OBLIGATIONS BY OBJECT CLASS

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

**Table 1.6—Obligations by Object
(In thousands)**

| | FY 2013 Actual | FY 2014 Estimate | FY 2015 Estimate |
|--|---------------------------|-----------------------------|-----------------------------|
| Other Services | \$ 22,393 | \$ 35,450 | \$ 35,450 |
| Financial Transfers | \$ 24,195,621 | \$ 25,685,000 | \$ 31,941,000 |
| Financial Transfers: Employee Payroll Tax Holiday | \$31,631,732 | \$ 329,000 | \$ 44,000 |
| Total Obligations | \$ 55,849,746 | \$ 26,049,450 | \$ 32,020,450 |

BACKGROUND

AUTHORIZING LEGISLATION

The PTF account is authorized by the sections of the Social Security Act described below.

Table 1.7—Authorizing Legislation (in thousands)

| | Amount Authorized | FY 2013 Actual | FY 2014 Enacted | FY 2015 Estimate |
|--|------------------------------|---------------------------|----------------------------|-----------------------------|
| Special payments for certain uninsured persons (Prouty): Social Security Act (S.S. Act), section 228(g) | Indefinite | \$ 4 | \$ 0 | \$ 0 |
| Pension reform: S.S. Act, section 1131(b)(2) | Indefinite | \$ 6,400 | \$ 6,400 | \$ 6,400 |
| Unnegotiated checks: S.S. Act, section 201(m); Social Security Amendments of 1983, section 152 | Indefinite | \$ 14,000 | \$ 10,000 | \$ 10,000 |
| Coal industry retiree health benefits: Internal Revenue Code of 1986, sections 9704 and 9706; Energy Policy Act of 1992, section | Indefinite | \$ 0 | \$ 0 | \$ 0 |
| Quinquennial adjustment for military service wage credits: S.S. Act, section 217(g) | Indefinite | \$ 0 | \$ 0 | \$ 0 |
| Subtotal Annual PTF Appropriation | | \$ 20,404 | \$ 16,400 | \$ 16,400 |
| Reimbursement for union administrative expenses: FY 2002 Social Security Appropriations Act | Permanent Indefinite | \$ 8,703 | \$ 11,000 | \$ 11,000 |
| Food, Conservation, and Energy Act, 2008: P.L. 110-246, section 15361 | Permanent | \$ 8,000 | \$ 8,000 | \$ 8,000 |
| Employee payroll tax holiday: P.L. 111-312, section 601, as amended by Temporary Payroll Tax Cut Continuation Act: P.L. 112-78 | Permanent Indefinite | \$ 31,631,732 | \$ 329,000 | \$ 44,000 |
| Taxation of benefits, U.S.: Social Security Amendments of 1983, section 121 | Permanent Indefinite | \$ 24,015,621 | \$ 25,496,000 | \$ 31,741,000 |
| Taxation of benefits, nonresident aliens: Social Security Amendments of 1983, section 121 | Permanent Indefinite | \$ 180,000 | \$ 189,000 | \$ 200,000 |
| FICA/SECA tax credits: Social Security Amendments of 1983, section 124(b) | Permanent Indefinite | \$ 72 | \$ 0 | \$ 0 |
| Total Appropriation | | \$ 55,864,532 | \$ 26,049,400 | \$ 32,020,400 |

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 2008 and FY 2011 enacted appropriations. The FY 2008 appropriation also included funds to administer economic recovery payments to beneficiaries.

Table 1.8—Appropriation History Table

| Fiscal Year | Budget Estimate to Congress | House Committee Passed | Senate Committee Passed | Enacted Appropriation |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 2003 | \$ 20,400,000 | --- ¹ | \$ 20,400,000 ² | \$ 20,400,000 ³ |
| 2004 | \$ 21,658,000 | \$ 21,658,000 ⁴ | \$ 21,658,000 ⁵ | \$ 21,658,000 ⁶ |
| 2005 | \$ 20,454,000 | \$ 20,454,000 ⁷ | \$ 20,454,000 ⁸ | \$ 20,454,000 ⁹ |
| 2006 | \$ 20,470,000 | \$ 20,470,000 ¹⁰ | \$ 20,470,000 ¹¹ | \$ 20,470,000 ¹² |
| Supplemental ¹³ | | | | \$ 38,000,000 |
| 2007 ¹⁴ | \$ 27,756,000 | \$ 27,756,000 ¹⁵ | \$ 27,756,000 ¹⁶ | \$ 20,416,000 ¹⁷ |
| Trust Funds Restoration Act ¹⁸ | | | | \$ 1,297,614,000 |
| 2008 ¹⁹ | \$ 28,140,000 | \$ 28,140,000 ²⁰ | \$ 28,140,000 ²¹ | \$ 28,140,000 ²² |
| Economic Stimulus Act ²³ | | | | \$ 31,000,000 |
| 2009 | \$ 20,406,000 | -- ²⁴ | \$ 20,406,000 ²⁵ | \$ 20,406,000 ²⁶ |
| 2010 | \$ 20,404,000 | \$ 20,404,000 ²⁷ | \$ 20,404,000 ²⁸ | \$ 20,404,000 ²⁹ |
| 2011 ³⁰ | \$ 21,404,000 | -- ³¹ | \$ 21,404,000 ³² | \$ 21,404,000 ³³ |
| 2012 | \$ 20,404,000 | -- ³⁴ | \$ 20,404,000 ³⁵ | \$ 20,404,000 ³⁶ |
| 2013 | \$ 20,402,000 | -- ³⁷ | \$ 20,404,000 ³⁸ | \$ 20,404,000 ³⁹ |
| 2014 | \$ 16,400,000 | -- ⁴⁰ | \$ 16,400,000 ⁴¹ | \$ 16,400,000 ⁴² |
| 2015 | \$ 16,400,000 | | | |

¹ The House Committee on Appropriations did not report a bill. Appropriations Chairman Regula introduced H.R. 246, which included \$20,400,000.

² S. 2766.

³ Consolidated Appropriations Resolution, 2003 (P.L. 108-7).

⁴ H.R. 2660.

⁵ S. 1356.

⁶ Consolidated Appropriations Act, 2004 (P.L. 108-199).

⁷ H.R. 5006.

⁸ S. 2810.

⁹ Consolidated Appropriations Act, 2005 (P.L. 108-447).

¹⁰ H.R. 3010.

Payments to Social Security Trust Funds

- ¹¹ H.R. 3010, reported from Committee with an amendment.
- ¹² Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2006 (P.L. 109-149).
- ¹³ FY 2006 Supplemental Appropriation providing for hurricane relief.
- ¹⁴ 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.
- ¹⁵ H.R. 5647.
- ¹⁶ S. 3708.
- ¹⁷ Revised Continuing Appropriations Resolution, 2007 (P.L. 110-5).
- ¹⁸ 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.
- ¹⁹ 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.
- ²⁰ H.R. 3043.
- ²¹ S. 1710.
- ²² Consolidated Appropriations Act, 2008 (P.L. 110-161).
- ²³ 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.
- ²⁴ The House Committee on Appropriations did not report a bill.
- ²⁵ S. 3230.
- ²⁶ Omnibus Appropriations Act, 2009 (P.L. 111-8).
- ²⁷ H.R. 3293.
- ²⁸ H.R. 3293, reported from Committee with an amendment.
- ²⁹ Consolidated Appropriations Act, 2010 (P.L. 111-117).
- ³⁰ Requested \$1 million in FY 2011 for the quinquennial adjustment for military service wage credits from the general funds to the Federal Disability Insurance Trust Fund. However, we later determined that transfers should be made from the trust funds to the general fund in FY 2011.
- ³¹ The House Committee on Appropriations did not report a bill.
- ³² S. 3686.
- ³³ Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10).
- ³⁴ The House Committee on Appropriations did not report a bill. Appropriations Chairman Rehberg introduced H.R. 3070, which included \$20,404,000.
- ³⁵ S. 1599.
- ³⁶ Consolidated Appropriations Act, 2012 (P.L. 112-74).
- ³⁷ The House Committee on Appropriations did not report a bill.
- ³⁸ S. 3295.
- ³⁹ Department of Defense, Military Construction and Veterans Affairs, and Full-Year Continuing Appropriations Act, 2013 (P.L. 113-6).
- ⁴⁰ The House Committee on Appropriations did not report a bill.
- ⁴¹ S. 1284.
- ⁴² Consolidated Appropriations Act, 2014 (P.L. 113-76).

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 1.9—Special Payments for Certain Uninsured Persons: Budget Authority

| | FY 2013 Actual | FY 2014 Enacted | FY 2015 Estimate | FY14 to FY15 Change |
|-------------------------|---------------------------|----------------------------|-----------------------------|--------------------------------|
| Budget Authority | \$ 4,000 | \$ 0 | \$ 0 | \$ 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). 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. The last beneficiary passed away in January 2011. Therefore, appropriations are not needed for FY 2014 and thereafter.

Payments to Social Security Trust Funds

Table 1.10—Special Payments for Certain Uninsured Persons: Obligations

| Fiscal Year | Obligations |
|-------------------------|--------------------|
| FY 2005 | \$ 54,000 |
| FY 2006 | \$ 70,000 |
| FY 2007 | \$ 16,000 |
| FY 2008 | \$ 13,000 |
| FY 2009 | \$ 5,820 |
| FY 2010 | \$ 3,350 |
| FY 2011 | \$ 3,515 |
| FY 2012 | \$ 3,483 |
| FY 2013 | \$ 1,474 |
| FY 2014 Estimate | \$ 0 |
| FY 2015 Estimate | \$ 0 |

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 1.11—Pension Reform: Budget Authority

| | FY 2013 Actual | FY 2014 Enacted | FY 2015 Estimate | FY14 to FY15 Change |
|-------------------------|---------------------------|----------------------------|-----------------------------|--------------------------------|
| Budget Authority | \$ 6,400,000 | \$ 6,400,000 | \$ 6,400,000 | \$ 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 that earned him or her vested rights to a pension, SSA or its contractor representative receives related information from the IRS in either paper or electronic format. SSA or its contractor representative controls, scans (using optical character recognition), and, if necessary, keys the paper forms and transfers the 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. SSA sends an ERISA notice of pension plan eligibility to individuals included in both the activity file and the ERISA Master Files. This notice 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 1.12—Pension Reform: Obligations

| Fiscal Year | Obligations |
|-------------------------|---------------------|
| FY 2006 | \$ 1,942,000 |
| FY 2007 | \$ 1,125,000 |
| FY 2008 | \$ 1,200,000 |
| FY 2009 | \$ 813,000 |
| FY 2010 | \$ 2,022,000 |
| FY 2011 ¹ | \$ 3,802,000 |
| FY 2012 | \$ 6,400,000 |
| FY 2013 | \$ 2,521,092 |
| FY 2014 Estimate | \$ 6,400,000 |
| FY 2015 Estimate | \$ 6,400,000 |

¹ Obligations for Pension Reform increased in FY 2011 despite a downturn in report receipts due to costs incurred to support the conversion of ERISA microfilm to computer images, as well as other IT-related costs.

RATIONALE FOR BUDGET REQUEST

The FY 2015 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 2015 request is the same as the FY 2014 enacted level. The table below summarizes the recent trend of pension coverage report receipts:

Table 1.13—Receipts from Pension Coverage Reports

| Fiscal Year | Pension Coverage Report Receipts |
|----------------------|----------------------------------|
| 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 |
| FY 2009 | 6,073,898 |
| FY 2010 | 6,334,329 |
| FY 2011 ¹ | 68,159 |
| FY 2012 | 10,454,215 |
| FY 2013 | 3,810,675 |

¹ Because IRS created a new form (IRS Form 8955-SSA) for filers and a new electronic filing system, in addition to granting a filing deferral during this timeframe, most of the pension coverage report receipts were input into the system in FY 2012 (i.e., FY 2012 receipts essentially represent 2 years of receipts).

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 are cashed after 6 months or subsequently cancelled.

Table 1.14—Unnegotiated Checks: Budget Authority

| | FY 2013 Actual | FY 2014 Enacted | FY 2015 Estimate | FY14 to FY15 Change |
|-------------------------|---------------------------|----------------------------|-----------------------------|--------------------------------|
| Budget Authority | \$ 14,000,000 | \$ 10,000,000 | \$ 10,000,000 | \$ 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 14th 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 1.15—Unnegotiated Checks: Obligations

| Fiscal Year | Obligations |
|-------------------------|----------------------|
| FY 2007 | \$ 10,084,755 |
| FY 2008 | \$ 11,169,140 |
| FY 2009 | \$ 8,756,319 |
| FY 2010 | \$ 7,435,351 |
| FY 2011 | \$ 7,471,475 |
| FY 2012 | \$ 5,910,374 |
| FY 2013 | \$ 3,082,985 |
| FY 2014 Estimate | \$ 10,000,000 |
| FY 2015 Estimate | \$ 10,000,000 |

The actual interest reflects the ongoing shift of beneficiaries away from the paper check method of benefit payment to direct deposit. On December 21, 2010, the Department of Treasury published a final rule amending 31 Code of Federal Regulations Part 208 to require recipients of federal benefit and nontax payments to receive their payments by electronic funds transfer. People who apply for Social Security benefits on or after May 1, 2011 receive their payments electronically. Many people who previously received federal benefit checks before May 1, 2011 have switched to an electronic payment. As a result, the final rule has decreased the volume of unnegotiated benefit checks, and we expect this trend to continue. 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 1.16—Direct Deposit Participation Rate

| | Direct Deposit Participation Rate |
|----------------------|--|
| December 2004 | 82% |
| December 2005 | 83% |
| December 2006 | 84% |
| December 2007 | 85% |
| December 2008 | 86% |
| December 2009 | 87% |
| December 2010 | 88% |
| December 2011 | 91% |
| December 2012 | 95% |
| December 2013 | 98% |

RATIONALE FOR BUDGET REQUEST

The FY 2015 request is for \$10,000,000 to reimburse the OASDI Trust Funds for the value of interest on unnegotiated checks. The FY 2015 request is same as the FY 2014 enacted.

Table 1.17—Unnegotiated Checks: Budget Authority by Trust Fund

| | FY 2015 Estimate |
|-----------------|-------------------------|
| OASI Trust Fund | \$ 8,000,000 |
| DI Trust Fund | \$ 2,000,000 |
| Total | \$ 10,000,000 |

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 1.18—Coal Industry Retiree Health Benefits: Obligations

| | FY 2013 Actual | FY 2014 Estimate | FY 2015 Estimate | FY14 to FY15 Change |
|-----------------------------|-------------------|---------------------|---------------------|------------------------|
| New Budget Authority | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Obligations | \$ 12,117 | \$ 50,000 | \$ 50,000 | \$ 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

SSA has completed initial decisions and reviews on all of the retired miners covered under the provisions of the 1992 CIRHBA. In addition, SSA 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 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. SSA has also completed its obligation to provide yearly data on miner assignments to the UMWA Combined Benefit Fund. However, SSA’s Office of the Actuary continues to compute the per beneficiary premiums on a yearly basis.

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 2015 because the balance of 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 pre-1957 military service, as authorized by Section 217(g). Payments to the trust funds for this purpose are authorized to be made every five years.

Table 1.19—Military Service Wage Credits: Budget Authority

| | FY 2013 Actual | FY 2014 Enacted | FY 2015 Estimate | FY14 to FY15 Change |
|-------------------------|-------------------|--------------------|---------------------|------------------------|
| Budget Authority | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

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 appropriation for this transfer, including interest, was \$414,000,000. Appropriations are not

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needed whenever quinquennial transfers are determined to be due from the trust funds to the general fund.

We initially requested \$1 million in FY 2011 for a transfer from the general funds to the Federal Disability Insurance Trust Fund, but later analysis by the Office of the Chief Actuary determined that transfers should instead be made from the OASDI trust funds to the general fund. On December 30, 2010, \$113 million was transferred to the general fund from the OASI trust fund and \$3 million was transferred from the DI trust fund.

We are not requesting funds for FY 2015. The next quinquennial adjustment is expected to occur in FY 2016.

Payments to Social Security Trust Funds