

Proposed Budget for Social Security Programs, 1950-51*

IN his message accompanying the Budget for the fiscal year 1950-51, President Truman again called for amendments and supplements to the social welfare, health, and security programs. The coming year, he said will be "extremely significant. . . . The decisions of the Congress on pending legislation will determine the direction which this country will follow in providing basic protection against the major economic hazards of old age, unemployment, illness, and disability."

Expenditures

The total estimated cost in the Budget of the welfare, health, and se-

Table 1.—Summary of estimated expenditures for social welfare, health, and security under present and proposed legislation, fiscal year 1950-51¹

[In millions]			
Source of funds	Expenditures		
	Total	Present legislation	Proposed legislation
Total.....	\$7,433	\$5,682	\$1,751
General funds.....	2,906	2,623	283
Trust funds, total.....	4,527	3,059	1,468
Old-age and survivors insurance trust fund.....	2,300	867	1,433
Unemployment trust fund.....	1,570	1,570	
Railroad retirement account.....	346	346	
Federal employees' retirement funds.....	276	276	
Medical care insurance fund.....	35		35

¹ Includes placement and unemployment insurance activities of the Department of Labor, classified under labor in the Budget.

Source: *The Budget of the United States Government for the Fiscal Year Ending June 30, 1951.*

curity programs for 1950-51, under present and proposed legislation and including placement and unemployment insurance activities of the Department of Labor, would be \$7,433 million from both general and trust accounts, in contrast to \$5,682 million for existing programs alone. Of the

*Prepared in the Division of Research and Statistics, Office of Commissioner.

\$1,751 million in estimated expenditures under proposed legislation, \$1,433 million is for benefits and administrative expenses under the expanded old-age and survivors insurance program, \$200 million for increased public assistance grants, \$35 million for initial administrative expenses of the proposed medical care insurance program, \$71 million for various health, rehabilitation, and child health and welfare programs, and \$12 million for expanded unemployment insurance. Of these additional estimated expenditures under the legislative proposals, \$283 million would come from the general fund and \$1,468 million from trust funds (table 1).

Total expenditures proposed for health, welfare, and security in 1950-51, excluding trust-fund outlays, are estimated at \$2,714 million with placement and unemployment insurance activities omitted, and \$2,906 million including them. Of this amount, \$1,401 million—or about half the total—is for public assistance, including proposed legislative changes in the financing of the program. Another \$433 million is for health programs, including programs for aid to medical education, local public health services, and school health services, and for expanded Children's Bureau grants. An amount of \$594 million is included as a transfer of tax receipts to the railroad retirement account in advance of

Table 2.—Expenditures and recommended appropriations, excluding trust accounts, for social welfare, health, and security programs, fiscal years 1948-49, 1949-50, and 1950-51

Program or agency	Expenditures			New obligational authority for 1951	
	Actual, 1948-49	Estimated		Appropriation	Other
		1949-50	1950-51		
Total, including proposed legislation.....	\$2,069	\$2,481	\$2,906	¹ \$2,842	\$165
Total, excluding proposed legislation.....	2,069	2,481	2,623	¹ 2,480	165
Unemployment insurance and placement activities: ²					
Department of Labor:					
Present programs.....		137	171	194	
Proposed legislation.....			12	13	
Railroad Retirement Board.....	15	10	9	10	
Federal Security Agency.....	148	37			
Assistance to aged and other special groups:					
Federal Security Agency:					
Public assistance:					
Present program.....	922	1,146	1,201	1,201	
Proposed legislation.....			200	250	
Vocational rehabilitation:					
Present program.....	15	26	24	24	
Proposed legislation.....			4	4	
Other.....	4	2	2	2	
School lunch program (Department of Agriculture).....	75	83	83	84	
Retirement and dependents' insurance:					
Railroad Retirement Board.....	579	603	594	594	
Federal Security Agency and other.....	5	10	7	7	
Promotion of public health:					
Federal Security Agency:					
Present program.....	161	259	334	190	163
Proposed legislation:					
Aid to medical education.....			30	45	
Local health service.....			5	5	
Children's Bureau grants.....			7	10	
School health service.....			25	35	
General Service Administration and other.....	10	21	32	6	
Crime control and correction (Department of Justice and other).....	88	93	99	101	1
Indian welfare (Department of Interior and other).....	32	29	39	39	1
Accident compensation (Federal Security Agency).....	15	25	28	28	

¹ Includes \$151 million in appropriations to liquidate prior-year contract authorizations.

² Classified under labor in the Budgets for 1949-50 and 1950-51 and not under social welfare and health as in earlier years.

Source: *The Budget . . . for the Fiscal Year Ending June 30, 1951.*

actual collections. Most of the remaining \$478 million is for vocational rehabilitation and other aid programs, the school lunch program, crime control and correction, Indian welfare, and work-accident compensation.

These expenditures for health, welfare, and security (excluding trust-fund outlays) would account for 6.8 percent of the total proposed Federal budgetary expenditures for all purposes for 1950-51. Slightly under two-thirds of all health, welfare, and security expenditures are for programs administered by the Federal Security Agency. Two-thirds of these estimated expenditures for health, welfare, and security and about 90 percent of all estimated Federal Security Agency expenditures in 1950-51 are for Federal grants-in-aid to States.

Appropriations

The Budget recommends appropriations and transfers for the Social Security Administration totaling \$1,536 million for 1950-51, as compared with \$1,183 million for the previous fiscal year, exclusive of appropriations for the Bureau of Employment Security (table 3). Total appropriations, together with the anticipated supplement for the Social Security Administration, amount to \$1,323 million for 1949-50. This figure includes appropriations for the Bureau of Employment Security, which early in the fiscal year was transferred to the Department of Labor; it is therefore not comparable to the total for 1950-51. About 96 percent of the totals for both years are for grants to States, the great bulk of which are for public assistance.

The 1950-51 appropriation requested for the three special public assistance programs under present legislation is \$1,200 million, or 8 percent higher than the expected total of \$1,110 million for 1949-50. The increase is requested because of the higher average payments and also the expected growth in assistance rolls. In addition, another \$250 million has been requested for the proposed changes in the public assistance program to improve the present financing arrangements and also to permit Federal sharing in the cost of aid to

needy persons excluded from the present program. Appropriations for maternal and child health services, services for crippled children, and child welfare services would be increased \$9.5 million.

Administrative expenses of the Social Security Administration in 1950-51 are estimated in the Budget at \$64 million, including outlays from the old-age and survivors insurance trust fund. Recommended appropriations are shown, by bureau and item, in table 3.

The \$1,490 million recommended

for appropriation to the Social Security Administration for 1950-51 represents 3.7 percent of all proposed Federal appropriations and other new obligational authority for that year. In addition, it is estimated that \$2,300 million will be paid out of the old-age, survivors, and disability insurance trust fund (table 4).

Trust Fund Operations

Trust fund operations as presented in the Budget include estimates of the cost of carrying out the expansion of the old-age and survivors insurance

Table 3.—Appropriations, transfers, and expenditures (including proposed legislation), Social Security Administration, for grants to States and administrative and other expenses, fiscal years 1948-49, 1949-50, and 1950-51

Bureau and item	Appropriations and transfers				Expenditures		
	Actual, 1948-49	1949-50		Recommended, 1950-51	Actual, 1948-49	Estimated	
		Actual	Anticipated supplement			1949-50	1950-51
Total, Social Security Administration (excluding the Bureau of Employment Security).....	\$1,017,692	\$1,129,798	\$53,229	\$1,535,862	\$1,004,317	\$1,233,064	\$1,498,458
Total, Social Security Administration.....	1,168,778	1,269,473	53,229	1,535,862	1,152,207	1,269,783	1,498,458
Grants to States.....	1,112,450	1,215,000	52,000	1,481,800	1,084,152	1,203,503	1,430,210
Salaries and expenses.....	50,934	50,869	1,229	50,118	62,758	62,181	64,304
Other.....	5,394	3,604	—	3,944	5,297	4,099	3,944
Bureau of Old-Age and Survivors Insurance:							
Salaries and expenses ¹	39,817	42,426	—	46,238	39,478	43,406	45,820
Proposed transfers, salaries and expenses ¹	—	—	1,149	—	—	(²)	—
Reimbursement to general fund for administrative expenses ¹	(²)	(²)	(³)	(²)	13,778	14,167	14,591
Expenses, benefit payments to survivors of certain deceased veterans, World War II.....	305	—	—	—	305	—	—
Other reimbursement to old-age and survivors insurance trust fund.....	2,974	3,604	—	3,944	2,969	3,670	3,944
Bureau of Public Assistance:							
Grants to States, public assistance.....	948,000	1,058,000	52,000	1,200,000	920,814	1,144,247	1,200,000
Proposed extension of public assistance program.....	—	—	—	250,300	—	—	200,280
Salaries and expenses.....	1,405	1,350	22	1,413	1,350	1,377	1,409
Children's Bureau:							
Grants to States, maternal and child welfare.....	22,750	22,000	—	22,000	23,071	23,783	23,000
Proposed extension of maternal and child welfare grants.....	—	—	—	9,500	—	—	6,930
Grants to States, emergency maternity and infant care.....	—	—	—	—	³ —47	—	—
Salaries and expenses.....	1,568	1,541	17	1,522	1,499	1,513	1,543
Bureau of Federal Credit Unions, salaries and expenses.....	624	618	38	684	548	578	680
Office of the Commissioner:							
Salaries and expenses.....	249	259	3	261	536	320	261
Other.....	—	—	—	—	16	3	—
Bureau of Employment Security: ⁴							
Grants to States, unemployment insurance and employment service administration.....	141,700	135,000	—	—	140,314	35,473	—
Reconversion unemployment benefits for seamen.....	2,420	—	—	—	1,900	426	—
Salaries and expenses.....	6,966	4,675	—	—	5,264	820	—
Other.....	—	—	—	—	412	—	—

¹ Shown in the Budget under Office of the Secretary of the Treasury.

² Not separated from other appropriations.

³ Minus figure represents excess of repayments and collections over expenditures.

⁴ Transferred to Department of Labor, Aug. 20, 1949.

Source: *The Budget . . . for the Fiscal Year Ending June 30, 1951.*

Table 4.—Social welfare, health, and security trust fund operations, fiscal years 1948-49, 1949-50, and 1950-51

[In millions]

Fund and item	Actual, 1948-49	Estimated	
		1949-50	1950-51
Old-age and survivors insurance trust fund:			
Receipts:			
Appropriations (equal to Federal insurance contributions).....	\$1,690	\$2,245	\$2,515
Interest and other.....	233	261	303
Proposed legislation extending coverage, raising tax base, and adding disability benefits.....			1,200
Expenditures (benefits and administrative expenses):			
Present programs.....	660	783	867
Proposed legislation.....			1,433
Net accumulation (including proposed legislation).....	1,263	1,723	1,718
Total assets of fund as of June 30.....	¹ 11,310	² 13,033	² 14,751
Total investments as of June 30.....	¹ 11,231	² 12,954	² 14,672
Unemployment trust fund:			
Receipts:			
Deposits by States and railroad unemployment taxes.....	994	1,018	1,193
Interest.....	180	162	165
Expenditures (State and railroad unemployment withdrawals).....	1,327	2,034	1,570
Net accumulation.....	-153	-854	-212
Total assets of fund as of June 30.....	¹ 8,182	² 7,328	² 7,116
Total investments as of June 30.....	¹ 8,138	² 7,284	² 7,072
Railroad retirement account:			
Receipts:			
Transfers from Budget accounts.....	574	602	594
Interest on investments.....	51	61	64
Expenditures (benefit payments, salaries, and expenses).....	278	314	346
Net accumulation.....	347	349	312
Total assets of fund as of June 30.....	¹ 1,799	² 2,148	² 2,460
Total investments as of June 30.....	¹ 1,720	² 2,069	² 2,381
Federal employees' retirement funds:			
Receipts:			
Employee contributions.....	328	374	353
Transfers from Budget accounts and other.....	230	306	337
Interest.....	124	140	163
Expenditures (annuities, refunds, and expenses).....	221	255	276
Net accumulation.....	460	566	578
Medical care insurance trust fund (proposed legislation):			
Receipts from pay-roll contributions.....			250
Expenditures (payments for initial expenses).....			35
Net accumulation.....			215

¹ Data from the *Daily Statement of the U. S. Treasury*.

² Total amount for preceding fiscal year plus net accumulation.

Source: *The Budget . . . for the Fiscal Year Ending June 30, 1951*, unless otherwise noted.

program recommended by President Truman last spring. Under these recommendations, coverage would be extended to nearly all gainfully employed persons, including farm and nonfarm self-employed; benefits would be increased substantially; and disability benefits would be added to those now provided. The tax base would be raised to the first \$4,800 of earned income to reflect changes in wage levels and to bring benefits and contributions to proper levels.

The President also recommended that the effective date for the statutory increase in the tax rate to 2 percent each for employers and employees be moved up from January 1, 1952, to January 1, 1951. The contribution rate under the present system was increased from 1 percent each to 1½ percent each on January 1, 1950.

Proposals for a national system of health insurance and improved services and facilities for public health and medical care would increase re-

ceipts under pay-roll contributions, but it is not contemplated that any health insurance benefits would be paid out in 1950-51. There would, however, be some initial administrative expenses. Budget estimates with respect to the pay-roll tax for medical care insurance assume a rate of 0.5 percent on earnings up to \$4,800, effective January 1, 1951.

The Budget also includes estimates of receipts and expenditures of other social insurance trust accounts. The proposed expansion of the social insurance system would increase both the receipts and expenditures of the trust funds involved. In the fiscal year 1951, the net accumulation of the major social insurance trust funds, with legislative proposals included, is estimated at \$2,611 million, as compared with \$1,784 million in 1949-50 (table 4).

Social insurance contributions for 1949-50 are estimated at \$4,430 million. For 1950-51, the estimated total

is \$6,329 million, of which \$4,879 million is accounted for by existing programs and \$1,450 million by legislative proposals contained in the Budget, including tax receipts from medical care insurance. The higher level of taxable wages, expanded coverage, and higher contribution rates in January-June 1951 under proposed legislation account for the large increase in estimated receipts in 1950-51. Those social insurance contributions collected by the Federal Government would be equal to somewhat less than 14 percent of estimated tax and miscellaneous receipts of the general accounts in 1950-51, as compared with about 9 percent for 1949-50.

Benefit payments under the social insurance programs are made directly from the trust funds, which accumulate reserves against future benefits. It is estimated that additional contributions under the expanded old-age and disability programs would total \$1,200 million in 1950-51, while the

Table 5.—Social insurance contributions and tax collections, existing and proposed legislation, fiscal years 1948-49, 1949-50, and 1950-51

[In millions]

Program	Actual, 1948-49	Estimated	
		1949-50	1950-51
Total, including proposed legislation.....	\$3,799	\$4,430	\$6,329
Total, excluding proposed legislation.....	3,799	4,430	4,879
Employment taxes:			
Existing legislation:			
Federal Insurance Contributions Act.....	1,690	2,245	2,515
Federal Unemployment Tax Act.....	223	223	224
Carriers Taxing Act.....	564	570	594
Railroad Unemployment Insurance Act.....	10	10	10
Deposits by States.....	984	1,008	1,183
Proposed legislation:			
Medical care insurance.....			250
Improvement of old-age and survivors insurance.....			1,200
Federal employees' retirement acts, employee contributions.....	328	374	353

¹ State pay-roll tax collections for unemployment insurance deposited in the Federal unemployment trust fund.

Source: *The Budget . . . for the Fiscal Year Ending June 30, 1951*.

increase in benefit payments and administrative expenses would be \$1,433 million. Receipts and expenditures for that year, under present and proposed legislation combined, would be \$4,018 million and \$2,300 million, respectively, making possible the acquisition of new securities amounting to \$1,718 million. The total assets of the trust fund are expected to reach \$13,033 million by June 30, 1950, and \$14,751 million by June 30, 1951.

The unemployment trust fund is

directly affected by the levels of business activity and employment. The estimates of the operations of the trust fund contained in the Budget are based on assumptions of high employment in 1950-51. Receipts for 1949-50 and for 1950-51 are estimated at \$1,180 million and \$1,358 million, respectively; expenditures for these years are estimated at \$2,034 million and \$1,570 million. The net change in the fund as estimated represents a decrease in assets. Anticipated assets

as of June 30, 1951, are \$7,116 million, as compared with \$7,328 million on June 30, 1950, and \$8,182 million on June 30, 1949.

Receipts of the proposed medical care insurance trust fund are estimated at \$250 million in 1950-51. Present plans call for increased contributions in subsequent years. Although no benefit payments are assumed for 1950-51, expenditures for initial administrative outlays are estimated at \$35 million.

Notes and Brief Reports

Public Assistance Hearings

In October 1947 the Bureau of Public Assistance issued requirements relating to definite procedural provisions for hearings in the State public assistance plans.¹ A review of State policies and practice since the effective date of these requirements—July 1, 1948—shows a general improvement in standards of performance, a growing acceptance of the concept of “due process” in public assistance administration, and an increasing use of hearings for the improvement of administrative processes. Some States have issued new plan material, some have begun the process of revising their policies and procedures to achieve consistency with new concepts, and some have merely continued the process of refining their practice since their policy material already met the test of the Federal definition.

One of the most important developments was the widespread adoption of improved methods of publicizing the right to a hearing and the procedures by which dissatisfied individuals may obtain a hearing. Earlier studies had shown that in many States that had excellent hearing procedures practically no hearings were requested because claimants were unaware of the availability of the hearing process. Today, most States provide explicit information on their hearing procedures (still frequently called “appeals

process”) in a variety of ways—by pamphlet, form letter, reproduction of their hearing rules and regulations on the back of application forms, and various other means; local staffs supplement the printed material in personal discussions with applicants and recipients.

The number of hearings has not increased spectacularly with the increased availability of information about hearings, as some people thought might happen. There has been a continuous, slow increase in requests for hearings; the proportions of the principal causes that gave rise to hearings, and the categories of assistance in relation to which hearings were requested, remained very nearly the same as in previous years. States that earlier had had no hearings, or hardly any, began to integrate the new experience into their general administrative pattern, and others, which had treated their hearing function as a more or less incidental activity, recognized the importance of this aspect of administration by developing special job descriptions for a newly created position of hearing officer.

State agency efforts to keep the cost of hearings to a minimum led to interesting experimentation with various forms of recording the proceedings. Some States used various mechanical and electronic recording devices instead of verbatim stenographic transcripts. The submittal of full and detailed hearing briefs in addition to the transcript was in some States replaced by the development of digests or reports in summary form.

To speed up the hearing process, some States authorized their hearing officers to render on-the-spot decisions, while others reserved this authority for the highest executive officer in the agency. Only a few States make no delegation of authority and still require action of the State Board at its regular meeting for formal adoption of a hearing decision.

Along with improving their hearing procedures, States worked on cutting down the need for requests for a hearing by providing effective and less formal channels through which grievances could be adjusted. Recognizing that any complaint, if not satisfactorily settled, might grow into a hearing issue, agencies in many States strengthened their adjustment procedures. Increasingly, the State and local offices kept records of all complaints—written and oral—and evaluated them as an index to weaknesses in policy or procedure that needed strengthening to eliminate areas of dissatisfaction. Recognition of the consistently high proportion of grievances arising out of the process of determining need and the amount of assistance, for instance, may have spurred the State agencies in their efforts to make their policies more definite and specific and thus assure greater uniformity and consistency among individual case decisions. As a result, the administrative process has become more predictable, from the claimant's point of view, and there has been greater equity of treatment as far as county and State-wide case loads were concerned.

One area in which a considerable amount of work still needs to be done is that of the conduct of the hearing proper. Some agencies were success-

¹ See the *Bulletin*, July 1948, pp. 14-18.