

CONTENTS

APPROPRIATION LANGUAGE..... 26

GENERAL STATEMENT..... 27

 Annual Appropriation 27

 Permanent Indefinite Authority..... 27

BUDGETARY RESOURCES 29

 Analysis of Changes..... 30

 Budget Authority and Obligations by Activity 31

 Budget Authority by Object..... 33

BACKGROUND 34

 Authorizing Legislation 34

 Appropriation History 35

SPECIAL PAYMENTS FOR CERTAIN UNINSURED PERSONS..... 36

 Purpose and Method of Operation 36

 Rationale for Budget Request 37

PENSION REFORM..... 38

 Purpose and Method of Operation 38

 Rationale for Budget Request 39

UNNEGOTIATED CHECKS..... 40

 Purpose and Method of Operation 40

 Rationale for Budget Request 41

COAL INDUSTRY RETIREE HEALTH BENEFITS 42

 Purpose and Method of Operation 42

 Progress to Date 43

MILITARY SERVICE WAGE CREDITS 44

 Purpose and Method of Operation 44

 Rationale for Budget Request 45

TABLES

Table 1.1—Annual Appropriation and Obligations..... 27

Table 1.2—Amounts Available for Obligation 29

Table 1.3—Summary of Changes..... 30

Table 1.4—New Budget Authority and Obligations, Current Authority (in thousands)..... 31

Table 1.5—Budget Authority and Obligations, Permanent Indefinite Authority
(in thousands)..... 32

Table 1.6—New Budget Authority by Object 33

Table 1.7—Authorizing Legislation (dollars in thousands) 34

Table 1.8—Appropriation History Table..... 35

Table 1.9—Special Payments for Certain Uninsured Persons: Budget Authority 36

Table 1.10—Special Payments for Certain Uninsured Persons: Obligations..... 37

Table 1.11—Pension Reform: Budget Authority 38

Table 1.12—Pension Reform: Obligations..... 39

Table 1.13—Receipts from Pension Coverage Reports 39

Table 1.14—Unnegotiated Checks: Budget Authority 40

Table 1.15—Unnegotiated Checks: Obligations 40

Table 1.16—Unnegotiated Checks: Budget Authority by Trust Fund 41

Table 1.17—Direct Deposit Participation Rate 41

Table 1.18—Coal Industry Retiree Health Benefits: New Budget Authority 42

Table 1.19—Military Service Wage Credits: Budget Authority 44

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, [\$28,140,000]\$20,406,000. (*Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2008.*)

GENERAL STATEMENT

The Payments to Social Security Trust Funds (PTF) account provides Federal fund payments to the Social Security trust funds for several distinct purposes. 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 quinquennial adjustment for military service wage credits.¹ These payments are discussed in detail below.

Table 1.1—Annual Appropriation and Obligations

	FY 2008 (Enacted)	FY 2009 (Estimate)	FY08- FY09 Change
Appropriation	\$ 28,140,000	\$ 20,406,000	- \$ 7,734,000
Obligations	(\$ 28,140,000)	(\$ 20,406,000)	- \$ 7,734,000

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 Insurance 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

¹ The quinquennial adjustment for military service wage credits is authorized to be appropriated every five years, if it is determined necessary. Appropriations are needed to effectuate transfers from the general funds to the trust funds.

1993, P.L. 103-66, amended this provision so that up to 85 percent of benefits could be subject to 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 \$18,534 million in FY 2008 and \$22,695 million in FY 2009 from U.S. citizens; taxes imposed on aliens are transferred monthly and will generate estimated income of \$154 million in FY 2008 and \$163 million in FY 2009. The estimates for taxation of benefits reflect normal growth related to benefit levels.

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 2009 is \$20,406,000. Including amounts appropriated under permanent indefinite authority, SSA expects to make \$22,889,456,000 in payments to the trust funds in FY 2009.

Table 1.2—Amounts Available for Obligation

	FY 2007 (Actual)	FY 2008 (Enacted)	FY 2009 (Estimate)
Annual Appropriation	\$ 1,318,030,000	\$ 28,140,000	\$ 20,406,000
Permanent Appropriation	\$18,017,351,050 18,017,351,050	\$ 18,699,000,000	\$ 22,869,000,000
Total Appropriation	\$19,335,381,050	\$ 18,727,140,000	\$ 22,889,406,000
Unobligated Balance, Start-of-Year	\$ 14,162,437	\$ 13,700,935	\$13,650,935
Recovery of Prior-Year Obligations	\$ 0	\$ 0	\$ 0
Subtotal Budgetary Resources	\$19,349,543,487 19,349,543,487	\$ 18,740,840,935	\$ 22,903,056,935
Obligations	(\$19,324,356,639)	(\$ 18,727,190,000)	(\$ 22,889,456,000)
Unobligated Balance, End-of-Year	\$ 13,700,935	\$ 13,650,935	\$ 13,600,935
Unobligated Balance, Lapsing	\$ 11,485,913	\$ 0	\$ 0

The FY 2007 appropriation included a one-time repayment of \$1,297,614,000 to the trust funds for an overpayment made to the Internal Revenue Service (IRS) under the Voluntary Income Tax Withholding program.¹ The FY 2007 appropriation was to reimburse the trust funds and restore them to the financial position they would have been in without this overpayment.

The unobligated balances carried over represent funds appropriated for the Coal Industry Retiree Health Benefits program 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.

¹ Individuals may elect to have a portion of their Social Security benefit withheld for income tax purposes. The overpayment did not affect the amount of taxes withheld from benefits, but did affect the amount transferred from the Social Security trust funds to the IRS under the program.

ANALYSIS OF CHANGES

The FY 2009 annual appropriation request is \$7,734,000 less than the FY 2008 enacted appropriation. The majority of this decrease is attributable to the quinquennial adjustment for Military Service Wage Credits that was included in the FY 2008 enacted appropriation, but is not in the FY 2009 request. This adjustment is authorized to be appropriated every five years if needed. The remainder of the decrease in the request is due to a decrease in the estimated obligations for Prouty benefits.

Table 1.3—Summary of Changes

	FY 2008 (Enacted)	FY 2009 (Estimate)	FY 08 to FY 09 Changes
Appropriation	\$ 28,140,000	\$ 20,406,000	- \$ 7,734,000
Obligations	(\$ 28,190,000)	(\$ 20,456,000)	- \$ 7,734,000

	FY 2008 Base Budget Authority	Change from Base
Decreases		
A. <u>Military Service Wage Credits—Reimbursement to the Disability Insurance Trust Fund for the quinquennial adjustment for military wage credits took place on December 31, 2007.</u>	\$ 7,727,000	- \$ 7,727,000
B. <u>Special Payments for Certain Uninsured Persons (Prouty)—Lower estimated obligations due to a continuing declining population</u>	\$ 13,000	- \$ 7,000
Total Decreases		- \$ 7,734,000
Net Change		- \$ 7,734,000

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 appropriation for Voluntary Income Tax Withholding was 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 was included in the FY 2008 appropriation. Coal Industry Retiree Health Benefit obligations are funded from prior year unobligated balances.

**Table 1.4—New Budget Authority and Obligations, Current Authority
(in thousands)**

	FY 2007 (Actual)	FY 2008 (Enacted)	FY 2009 (Estimate)
<u>Special Payments for Certain Uninsured Persons</u>			
Appropriation	\$ 16	\$ 13	\$ 6
Obligations	(\$ 16)	(\$ 13)	(\$ 6)
<u>Pension Reform</u>			
Appropriation	\$ 6,400	\$ 6,400	\$ 6,400
Obligations	(\$ 1,125)	(\$ 6,400)	(\$ 6,400)
<u>Unnegotiated Checks</u>			
Appropriation	\$ 14,000	\$ 14,000	\$ 14,000
Obligations	(\$ 10,085)	(\$ 14,000)	(\$ 14,000)
<u>Quinquennial Adj. for Military Wage Credits</u>			
Appropriation	\$ 0	\$ 7,727	\$ 0
Obligations	(\$ 0)	(\$ 7,727)	(\$ 0)
<u>Coal Industry Retiree Health Benefits</u>			
Appropriation	\$ 0	\$ 0	\$ 0
Obligations	(\$ 462)	(\$ 50)	(\$ 50)
<u>Voluntary Income Tax Withholding</u>			
Appropriation	\$ 1,297,614	\$ 0	\$ 0
Obligations	(\$ 1,297,614)	(\$ 0)	(\$ 0)
Total Appropriation	\$ 1,318,030	\$ 28,140	\$ 20,406
Total Obligations	(\$ 1,309,302)	(\$ 28,190)	(\$ 20,456)

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

	FY 2007 (Actual)	FY 2008 (Enacted)	FY 2009 (Estimate)
<u>Reimb. for Union Administrative Expenses</u>			
Appropriation	\$ 5,092	\$ 11,000	\$ 11,000
Obligations	(\$ 5,092)	(\$ 11,000)	(\$ 11,000)
<u>Taxation of Benefits, U.S.</u>			
Appropriation	\$ 17,865,099	\$ 18,534,000	\$ 22,695,000
Obligations	(\$ 17,865,099)	(\$ 18,534,000)	(\$ 22,695,000)
<u>Taxation of Benefits, Nonresident Alien</u>			
Appropriation	\$ 147,000	\$ 154,000	\$ 163,000
Obligations	(\$ 147,000)	(\$ 154,000)	(\$ 163,000)
<u>FICA Tax Credits</u>			
Appropriation	N/A	N/A	N/A
Obligations	N/A	N/A	N/A
<u>SECA Tax Credits</u>			
Appropriation	\$ 161	N/A	N/A
Obligations	(\$ 161)	N/A	N/A
Total Appropriation	\$ 18,017,352	\$ 18,699,000	\$ 22,869,000
Total Obligations	(\$ 18,017,352)	(\$ 18,699,000)	(\$ 22,869,000)

BUDGET AUTHORITY BY OBJECT

The table below displays the total PTF account by object class.

Table 1.6—New Budget Authority by Object

	FY 2007 (Actual)	FY 2008 (Enacted)	FY 2009 (Estimate)
Insurance Claims and Indemnities	\$ 19,329,164	\$ 18,709,740	\$ 22,872,006
Other Services	\$ 6,217	\$ 17,400	\$ 17,400
Total Budget Authority	\$ 19,335,381	\$ 18,727,140	\$ 22,889,406

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 1.7—Authorizing Legislation (dollars in thousands)

	FY 2008 Amount Authorized	FY 2008 Enacted	FY 2009 Amount Authorized	FY 2009 Estimate
Special payments for certain uninsured persons (Prouty): Social Security Act (S.S. Act), section 228(g)	Indefinite	\$ 13	Indefinite	\$ 6
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	N/A	Indefinite	N/A
Quinquennial adjustment for military service wage credits: S.S. Act, section 217(g)	Indefinite	\$ 7,727	Indefinite	N/A
Subtotal annual PTF appropriation		\$ 28,140		\$ 20,406
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	\$ 18,534,000	Permanent Indefinite	\$ 22,695,000
Taxation of benefits, nonresident aliens: Social Security Amendments of 1983, section 121	Permanent Indefinite	\$ 154,000	Permanent Indefinite	\$163,000
Total appropriation		\$ 18,727,140		\$ 22,889,406

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 Wage Service Credits is included in the FY 2002 and FY 2008 enacted appropriations.

Table 1.8—Appropriation History Table

Fiscal Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Enacted Appropriation
1999	\$ 19,689,000	\$ 19,689,000	\$ 19,689,000	\$ 19,689,000
2000	\$ 20,764,000	\$ 20,764,000	\$ 20,764,000	\$ 20,764,000
2001	\$ 20,400,000	\$ 20,400,000	\$ 20,400,000	\$ 20,400,000
2002¹	\$ 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
2006²	\$ 38,000,000	\$ 38,000,000	\$ 38,000,000	\$ 38,000,000
2007³	\$ 27,756,000	\$ 20,416,000	\$ 20,416,000	\$ 20,416,000
2007⁴	\$ 1,297,614,000	\$ 1,297,614,000	\$ 1,297,614,000	\$ 1,297,614,000
2008⁵	\$ 28,140,000	\$ 28,140,000	\$ 28,140,000	\$ 28,140,000
2009	\$ 20,406,000			

¹ 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.

² FY 2006 Supplemental Appropriation providing for hurricane relief.

³ 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.

⁴ 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.

⁵ 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.

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 know 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 2007 (Actual)	FY 2008 (Enacted)	FY 2009 (Estimate)	<i>FY 08 to FY09 Change</i>
Budget Authority	\$ 16,000	\$ 13,000	\$ 6,000	-\$ 7,000

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 have attained age 72 before 1968, or meet certain minimal insured status requirements if he or she attained age 72 in 1968 or later.¹ In FY 2007, the maximum benefit amount was \$255.50. 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 has been decreasing gradually as the size of the aged population meeting the eligibility requirements decreases. As of September 30, 2007, there was only one person receiving benefits under this program, as compared to two people receiving on September 30, 2006.

¹ Special payments made to persons with three or more quarters of coverage were funded from the trust funds and not reimbursed from general revenues. There are no longer any individuals receiving benefits under this provision.

Table 1.10—Special Payments for Certain Uninsured Persons: Obligations

	Obligations
FY 2002	\$ 0
FY 2003	\$ 0
FY 2004	\$ 1,258,000
FY 2005	\$ 54,000
FY 2006	\$ 70,000
FY 2007	\$ 16,000
FY 2008 (estimate)	\$ 13,000
FY 2009 (estimate)	\$ 6,000

RATIONALE FOR BUDGET REQUEST

The FY 2009 President’s budget request is for payment of \$6,000 to the OASI Trust Fund for program costs incurred in FY 2007. Program costs include benefit payments actually made, administrative expenses for maintaining the beneficiary rolls, and interest lost to the trust fund. The FY 2008 appropriation was for payment to the OASI Trust Fund for program costs incurred in FY 2006.

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 2007 (Actual)	FY 2008 (Enacted)	FY 2009 (Estimate)	<i>FY 08 to FY 09 Change</i>
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.

SSA receives the necessary information from the IRS each time an employee leaves employment which earned the worker vested rights to a pension. SSA controls, microfilms and keys data into the Lifeworks system, which further verifies identifying information against the NUMIDENT (SSN record) database and the data is entered on an Employee Master File (EMF). Each month, an activity file of new benefit applications is compared to the EMF. Any individual in this activity file that shows a corresponding record for the worker in the EMF 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 1.12—Pension Reform: Obligations

	Obligations
FY 2003	\$ 455,000
FY 2004	\$ 6,400,000
FY 2005	\$ 4,291,000
FY 2006	\$ 1,942,000
FY 2007	\$ 1,125,000
FY 2008 (estimate)	\$ 6,400,000
FY 2009 (estimate)	\$ 6,400,000

RATIONALE FOR BUDGET REQUEST

The FY 2009 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. This includes adjustments for interest, if necessary, for FY 2008 pension reform costs in excess of the FY 2008 pension reform activity in this appropriation. The FY 2009 request is the same as in the FY 2008 budget. SSA has continued to receive a large volume of pension coverage reports from the IRS. The table below summarizes the recent trend:

Table 1.13—Receipts from Pension Coverage Reports

	Pension Coverage Report Receipts
FY 1999	4,094,000
FY 2000	3,763,000
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

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 1.14—Unnegotiated Checks: Budget Authority

	FY 2007 (Actual)	FY 2008 (Enacted)	FY 2009 (Estimate)	<i>FY 08 to FY09 Change</i>
Budget Authority	\$14,000,000	\$14,000,000	\$14,000,000	\$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

	Obligations
FY 2003	\$ 9,643,404
FY 2004	\$ 7,545,490
FY 2005	\$ 8,662,115
FY 2006	\$ 9,289,828
FY 2007	\$10,084,755
FY 2008 (Estimate)	\$ 14,000,000
FY 2009 (Estimate)	\$ 14,000,000

RATIONALE FOR BUDGET REQUEST

The FY 2009 request is for \$14,000,000 to reimburse the OASDI Trust Funds for the value of interest on unnegotiated checks.

Table 1.16—Unnegotiated Checks: Budget Authority by Trust Fund

	FY 2009 (Estimate)
OASI Trust Fund	\$ 11,000,000
DI Trust Fund	\$ 3,000,000
Total	\$ 14,000,000

The FY 2009 request is the same as the FY 2008 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 1.17—Direct Deposit Participation Rate

	Direct Deposit Participation Rate
December 2002	81%
December 2003	82%
December 2004	82%
December 2005	83%
December 2006	84%
December 2007	85%

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: New Budget Authority

	FY 2007 (Actual)	FY 2008 (Estimate)	FY 2009 (Estimate)	<i>FY08 to FY09 Change</i>
New Budget Authority	N/A	N/A	N/A	N/A
Obligations	(\$461,502)	(\$50,000)	(\$50,000)	(\$0)

CIRHBA combined two existing United Mine Workers of America 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 made initial decisions on all of the retired miners covered under these provisions of the 1992 CIRHBA (the Coal Act) and continues to provide requested earnings records and review the appeals made by the assigned coal operators. 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 impacted and restructured the Coal Act. After carefully reviewing the legislation, obtaining legal advice, and assessing 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.”

While SSA has devoted considerable Agency time and resources to comply with P.L. 109-432, it also remains active in one Coal Act case which is pending adjudication in the Federal Court. The case is as follows:

Nicewonder Group, LLC v. Astrue is pending in the United States District Court for the Western District of Virginia. Plaintiffs filed a complaint alleging that they are not related to a former United Mine Workers of America signatory operator and therefore they are not responsible for the premiums of the eight miners that have been assigned to them. SSA has recently responded to this complaint.

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 2009 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 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. Because \$7,727,000 was appropriated in FY 2008, there is no appropriation request for FY 2009.

Table 1.19—Military Service Wage Credits: Budget Authority

	FY 2007 (Actual)	FY 2008 (Enacted)	FY 2009 (Estimate)	FY08 to FY09 Change
Budget Authority	N/A	\$7,727,000	N/A	-\$7,727,000

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 transferred 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. The FY 2002 appropriation for

Payments to Social Security Trust Funds

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

RATIONALE FOR BUDGET REQUEST

The Office of the Chief Actuary's most recent analysis for the quinquennial adjustment determined that \$350,000,000 should be transferred from the OASI trust fund to the general fund. This transfer was made on December 30, 2005. The actuaries also determined that \$7,727,000 should be transferred to the DI trust fund from the general fund in FY 2008, as authorized under section 217(g) for pre-1957 military service credits. SSA's FY 2008 appropriation provided funds for this adjustment, and the transfer was completed on December 31, 2007.