

ESTIMATES OF EXPENDITURES

Actual expenditures for the fiscal year 1940 and estimates for the fiscal years 1941 and 1942 are summarized in the following table. Further details will be found in table 23 beginning on page 696. The estimates are based upon figures submitted to the Congress in the Budget for 1942.

Actual expenditures for the fiscal year 1940 and estimated expenditures for the fiscal years 1941 and 1942

[In millions of dollars]

General and special accounts	Actual 1940	Estimated 1941	Estimated 1942
General (including recovery and relief).....	8,736.4	12,526.6	15,111.5
Revolving funds (net).....	53.9	° 140.4	9.5
Transfer to trust accounts, etc.....	207.9	216.2	274.6
Debt retirements.....	129.2	100.0	100.0
Total, exclusive of special items.....	9,127.4	12,702.4	15,495.5
Supplemental items:			
Regular.....		150.0	100.0
National defense.....		100.0	1,000.0
Work relief.....		350.0	990.0
Grand total, general and special accounts.....	9,127.4	13,302.4	17,585.5

° Excess of credits, deduct.

NOTE.—Figures are rounded to nearest tenth of a million and will not necessarily add to totals.

TREASURY ACTIVITIES UNDER THE OLD-AGE PROVISIONS OF THE SOCIAL SECURITY ACT, FISCAL YEARS 1936 TO 1940

Title II of the Social Security Act, approved August 14, 1935, established a system of Federal old-age benefits payable after December 31, 1941, to employees in covered industries who thereafter attained the age of 65. Death benefits and lump-sum payments to employees attaining age 65, but not eligible for annuity benefits, were payable from January 1, 1937. Title VIII of the act levied an income tax upon the wages of employees and an excise tax on employers. These taxes were collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury.

Section 201 (a) of the act established an account in the Treasury to be known as the "Old-Age Reserve Account," and there was authorized to be appropriated to the account for each fiscal year beginning with 1937 "an amount sufficient as an annual premium to provide for the payments required under this title," and "to be determined on a reserve basis in accordance with accepted actuarial principles, and based upon such tables of mortality as the Secretary of the Treasury shall from time to time adopt, and upon an interest rate of 3 per centum per annum compounded annually." The Secretary of the Treasury was required to submit annually to the Bureau of the Budget estimates of the appropriations to be made to this account.

Under these provisions of the law, appropriations to the old-age reserve account were not required to equal the amount of taxes levied and collected under title VIII, though in practice these appropriations were approximately equivalent to taxes collected less an allowance for administrative expenses. This procedure was predicated upon the approximate correspondence, on a 3 percent reserve basis, between taxes levied under title VIII and benefits specified under title II, as determined in accordance with section 201 (f) of the act. This section required that "The Secretary of the Treasury shall include in his annual report the actuarial status of the Account." The term "actuarial status" was interpreted to mean a comparison of future benefit payments with funds on hand plus future income of the account. The annual reports of the Secretary of the Treasury for the the fiscal years 1937 (page 49) and 1938 (page 55) describe the methods and results of this comparison. These reports point out the considerable margin of error inherent in calculations of this nature, since they must necessarily involve assumptions as to future mortality rates, wage levels, population growth, coverage under insured employment, and rates of retirement.

It was also the duty of the Secretary of the Treasury to invest such portions of the amounts credited to the account as were not, in his judgment, required to meet current benefit payments. These investments were made solely in 3 percent special Treasury notes, authorized under an extension of the purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended. Interest on investments was credited to and formed a part of the account.

All amounts credited to the account were available for making payments required under title II of the act. The Secretary of the Treasury made all benefit payments from the account in accordance with certifications by the Social Security Board.

The Social Security Act was amended by an act approved August 10, 1939, the amendments to become effective on January 1, 1940 (see exhibit 53 on page 578, and the discussion on page 212). During the first 6 months of the fiscal year 1940, the financing of the program continued to operate under the provisions of the original act. On January 1, 1940, the balance to the credit of the old-age reserve account was transferred to the Federal old-age and survivors insurance trust fund, created by the amending act. Operations under the old-age reserve account have been shown in the annual reports for 1937 to 1939, and are summarized in the following table.

*Receipts, expenditures, and assets of the old-age reserve account for specified periods,
Jan. 1, 1937, to Dec. 31, 1939¹*

[In thousands of dollars]

Item	Jan. 1, 1937, to Dec. 31, 1939	Jan. 1, 1937, to June 30, 1937	July 1, 1937, to June 30, 1938	July 1, 1938 to, June 30, 1939	July 1, 1939, to Dec. 31, 1939
Receipts:					
Appropriations by Congress.....	1,705,000	265,000	² 500,000	390,000	³ 550,000
Interest on investments.....	44,625	2,262	15,412	26,951	-----
Total receipts.....	1,749,625	267,262	515,412	416,951	550,000
Expenditures: Benefit payments.....	25,228	27	5,404	13,892	5,905
Net addition to account.....	1,724,397	267,235	510,008	403,059	544,095
Balance at beginning of period.....	-----	-----	267,235	777,243	1,180,302
Balance at end of period.....	1,724,397	267,235	777,243	1,180,302	1,724,397
Assets (at end of period):					
Investments—3% special Treasury notes maturing—					
June 30, 1941.....	-----	264,900	264,900	264,900	264,900
June 30, 1942.....	-----	2,200	382,000	382,000	382,000
June 30, 1943.....	-----	-----	15,400	497,400	497,400
June 30, 1944.....	-----	-----	-----	32,900	290,900
Unexpended balances:					
To credit of fund account.....	-----	62	113,012	66	282,068
To credit of disbursing officer.....	-----	73	1,931	3,036	7,129
Total assets (at end of period).....	-----	267,235	777,243	1,180,302	1,724,397

¹ On basis of daily Treasury statements (unrevised), see p. 583.² \$113,000,000 of this amount was not transferred until the fiscal year 1939.³ \$282,000,000 of this amount was not transferred until the second half of the fiscal year 1940.

Under the amended act, the Secretary of the Treasury is no longer required to report on the actuarial status of the trust fund. This is now a function of the Board of Trustees, whose first annual report to the Congress is to be made on the first day of the regular session in 1941. A statement of the operations under the trust fund for the second half of the fiscal year 1940 is shown in the following table. Operations for the complete fiscal year 1940, which were conducted under both the old-age reserve account and the trust fund, are given on page 212 of this report.

*Receipts, expenditures, and assets of the old-age and survivors insurance trust fund,
Jan. 1, 1940, to June 30, 1940¹*

[In thousands of dollars]

Receipts:	
Transfers from the old-age reserve account (Jan. 1, 1940):	
Investments.....	1,435,200
To credit of fund account.....	282,068
To credit of disbursing officer.....	7,129
Interest on investments.....	42,489
Total receipts.....	1,766,886
Expenditures:	
Benefit payments.....	9,900
Reimbursement for administrative expenses.....	12,288
Balance on June 30, 1940.....	1,744,698
Assets on June 30, 1940:	
3% special Treasury notes.....	1,413,200
2½% special Treasury notes.....	324,900
Unexpended balances.....	6,598
Total assets on June 30, 1940.....	1,744,698

¹ On basis of daily Treasury statements (unrevised), see p. 583.