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Staff Data and Materials on

State Social Security Deposits

COMMITTEE ON FINANCE
UNITED STATES SENATE

RUSSELL B. LONG, *Chairman*

Data and Materials Prepared by the Staff of the Committee on Finance for the Use of the

SUBCOMMITTEE ON SOCIAL SECURITY

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CONTENTS

STAFF DATA AND MATERIALS ON STATE SOCIAL SECURITY DEPOSITS

A. General Background

The existing situation.—Prior to the 1950 Social Security Amendments, employees of State and local government entities were neither required nor permitted to participate in the social security program on the basis of their governmental employment. The 1950 amendments extended coverage to State and local employees not covered by a retirement system and subsequent legislation provided for coverage of employees who were under a State or local retirement system.

For private sector employees, coverage under social security is based on a mandatory payroll tax. Because of the constitutional questions raised by the imposition of a Federal payroll tax on State and local governments and their employees, coverage was extended to State and local employees on a different basis. Each State enters into voluntary agreements with the Federal Government which provide for the coverage of groups of State or local employees. These agreements are in some cases quite complex because of the varieties of jurisdictions involved and differences in the extent and nature of retirement plan coverage. In general, however, once agreement is reached to provide social security protection for a certain class of employees (called a "coverage group") all employees in that class must be included and the State is responsible for paying to the Federal Government social security "contributions" which are identical to the social security taxes which would be payable for similar employment in the private sector.

All agreements for coverage of State and local government employees are entered into between the Federal Government and the States. Liability for the collection and payment into the Treasury of contributions for local government employees rests with each State. Thus, payments from local entities are made by the locality to the State which, in turn, is responsible for assuring the correctness of those payments and depositing them into the Treasury.

Since the payments due to the Treasury are not technically considered to be taxes, the rules governing the frequency of deposit and related reporting requirements are not those established by the Internal Revenue Service for private employers but are those promulgated in regulations of the Secretary of Health, Education, and Welfare. However, the law governing social security coverage of State and local employees states: "Regulations of the Secretary of Health, Education, and Welfare to carry out the purposes of this section shall be designed to make the requirements imposed on States pursuant to this section the same, so far as practicable, as those imposed on employers pursuant to this title and chapter 21 and subtitle F of the Internal Revenue Code of 1954."

Until recently, the Department did not find it practicable to require States to deposit social security contributions into the Treasury on the same schedule as is required of private sector employers by IRS. The HEW regulations which have been in effect since 1959 require States to deposit social security contributions due from them no later than 1 month and 15 days after the end of the calendar quarter in which the wages were paid. Thus if a State or local government has pay days on the 15th of each month, the social security contributions for the wages paid on January 15, February 15, and March 15 would have to be deposited by the State into the Treasury by May 15.

For private employers, IRS regulations generally require much more frequent deposits. Under rules which have been in effect since 1971, employers with a combined liability for withheld income taxes and social security taxes in excess of $2,000 are required to deposit those taxes within 3 banking days after the week in which the liability reached the $2,000 level. Employers with smaller liabilities are required to make a deposit within 15 days after the end of any month in which their liability has reached $200. Employers with less than $200 liability are required to make deposits on a quarterly basis.

HEW's development of the regulation change.—HEW informed the States in 1974 that consideration was being given to accelerating the depository schedule. The States strenuously opposed any change. As a result, the Subcommittee on Social Security of the House Ways and Means Committee in 1975 held a meeting including representatives of the National Conference of State Social Security Administrators and the Social Security Administration to discuss the reasons for the States' opposition. The State representatives registered concern about the administrative problems and costs they would encounter in receiving, accounting for, and transmitting payments from the political subdivisions more frequently, and the loss of interest earnings. The subcommittee suggested development of a questionnaire to elicit more specific data as to these concerns.

At about the same time, the Committee on Finance reported legislation designed to assure adequate consideration of any change in the deposit requirements. This legislation (enacted as Public Law 94–202) requires that at least 18 months must elapse between the publication of regulations requiring such a change and the effective date of the change. The reasons for this legislation are explained as follows in the Finance Committee report on that bill (S. Rept. 94–550):

"The committee is advised that the Social Security Administration and the State social security administrators are jointly undertaking a study designed to develop more adequate information as to the actual implications of a change in existing deposit procedures. To assure that this information will be available before any change is made and to assure that no change in deposit procedures will be abruptly instituted, the committee bill would prohibit the Department of Health, Education, and Welfare from making any significant changes in the deposit requirements without allowing lead time of at least 18 months from the time of publication in the Federal Register of the final regulations making such a change.

"The committee believes that this amendment will permit the Department to develop whatever proposal with respect to the deposit of

State and local contributions it may feel is justified on the basis of information obtained from the current study while at the same time assuring that Congress will have adequate notice of any such proposed change and will be able to enact further legislation as may appear appropriate."

In March 1978, HEW published a notice of proposed rulemaking which would have required deposits 15 days after every month. Several options for phasing in the change were proposed. The Social Security Administration received over 3,000 comments opposing any change in response to the notice of proposed rulemaking. They were primarily from State and local government officials, governmental organizations, and included about 200 Members of Congress.

New regulations.—On November 20, 1978, the Department of Health, Education, and Welfare published final regulations to become effective July 1, 1980 which will require more frequent deposits by the States.

The new regulations will require States' deposits 15 days after the end of each of the first 2 months of the calendar quarter and 1 month and 15 days after the end of the quarter, as follows:

Due date	*For*
February 15	December and January.
March 15	February.
May 15	March and April.
June 15	May.
August 15	June and July.
September 15	August.
November 15	September and October.
December 15	November.

(The present due date for interstate instrumentality deposits is 1 month after the end of each calendar quarter. The new rule will require deposits from interstate instrumentalities 15 days after the first and second months of each calendar quarter and 1 month after the end of the quarter.)

Proposed modification in private employer deposit schedule.—The proposed changes in the schedule for deposit of State and local contributions have, as described above, been under consideration for several years. More recently, the Administration has decided also to seek changes in the deposit schedules applicable to private employers.

The President's budget for fiscal year 1980 proposes to revise the rules for private employer deposits of social security taxes. The present rules have been in effect since 1971. Under the proposal, which would be phased in in 1981 and 1982, employers with aggregate liabilities for payroll taxes and withheld income taxes of less than $1,000 in a quarter will be allowed to make their deposits on a quarterly basis. Under present rules, only employers with liabilities under $200 are allowed to make deposits quarterly. Medium size employers who must deposit monthly will be defined as those with liabilities of $1,000 to $13,000 (as compared with $200 to $2,000 under present rules). Also, the due date for those monthly deposits will be advanced from the 15th of the following month to the 7th of the following month. Large employers will be defined as those with more than $13,000 in liability (compared with $2,000 under present rules). Under present rules, employers whose liabilities reach this limit by any one of four specified dates during the month (the 7th, 15th, 22d, and last day of the month) must deposit

their taxes within 3 banking days thereafter. Under the changed rules, there will be 8 rather than 4 days each month to which the requirement applies. Also, for both medium and large employers, present rules consider the deadline met if at least 90 percent of the liability is deposited. The new rules will increase this requirement to 95 percent.

Budgetary implications.—The new deposit schedule required by the November 20 regulations will result in an estimated $0.2 billion per year in increased interest earnings for the trust funds. For fiscal year 1980, however, the budget impact is much larger than this because of the one-time impact of the new schedule. Under that schedule, State and local contributions for July and August 1980 will be deposited into the Treasury in fiscal year 1980. Under the old schedule, deposits for those 2 months were not due until November 15—which falls in fiscal 1981. The net result is a one-time increase in Federal revenues of $2.2 billion. This amount is assumed in the President's fiscal 1980 budget. The changeover to the new system will similarly require States to face a one-time situation in which 14 months of payments must be made in the first 12-month period. The extent to which this will create budgetary problems for States varies according to accounting procedures and budgeting bases. (See item A.8. in the survey summary in section C of this document.)

Because of a later implementation date, the proposed changes in the deposit schedule for private employers do not affect fiscal year 1980. These changes are, however, estimated to increase revenues by $2.4 billion in 1981 and $1.5 billion in 1982. The impact of the new deposit schedules for private employers and for the States when combined with related changes in such areas as the payment schedules for corporate income taxes and estimated individual income taxes amounts to an increase in Federal receipts of $5.8 billion in fiscal 1981 and $6.2 billion in fiscal 1982.

B. Text of New Regulations

(The Federal Register for November 20, 1978 (43 FR 54083) contains the final regulations implementing a new deposit schedule for State social security contributions. The text of the regulations, as they appear in the Federal Register of that date, is printed below.)

1. Section 404.1223 is amended to read as follows:

§ 404.1223 Manner of payment of contributions by States.

The State shall deposit in the appropriate Federal Reserve Bank any contributions it is required to pay to the Secretary of the Treasury by an agreement made under the Act. The State shall pay the contributions in money to the Federal Reserve Bank, or any of its branches, serving the district in which the State is located, without notice, within the prescribed time periods, see §§ 404.1255 and 404.1255a.

2. Section 404.1255 is amended to read as follows:

§ 404.1255 Place and time for filing contribution returns, and wage reports and making deposits of contributions—for calendar quarters prior to July 1, 1980.

(a) *Deposits.* Contribution payments for wages paid in a calendar quarter shall be made in the manner prescribed in § 404.1223. Except as provided in paragraph (c)(2) of this section, contribution payments for a calendar quarter are due and payable on or before the 15th day of the second month of the next calendar quarter. However, for an instrumentality of two or more States, the contribution payments for a calendar quarter are due and payable on or before the last day of the first month of the next calendar quarter. The Secretary may, for good cause shown, and upon application by a State, or an instrumentality of two or more States, allow further time for the payment of contributions without interest.

(b) *Failure to make deposits when due.* For the interest assessable for failure to make contributions within the prescribed time see § 404.1225.

(c) *Contribution returns and wage reports.*

(1) *Where to be filed.* All contribution returns, wage reports, and adjustment reports shall be filed with SSA.

(2) *When to be filed.* The State shall file the contribution return and the wage report for any calendar quarter on or before the 15th day of the second month of the next calendar quarter, An instrumentality of two or more States shall file the contribution return and the wage report for any calendar quarter on or before the last day of the first month of the next calendar quarter. In addition there are the following exceptions both for States and instrumentalities of two or more States.

(*i*) *For periods before the date of execution of agreement or modification.* If an agreement or modification provides for the coverage of employees for periods before the date of execution of the agreement

or modification, any contributions for those periods shall be paid and contribution returns or wage reports for those periods shall be filed within 90 days after the date of execution of the agreement or modification;

(*ii*) *For initial periods after date of execution of agreement.* If an agreement or modification provides for the coverage of employees for the calendar quarter in which the Secretary signs the agreement, or any of the following four calendar quarters, the State shall pay any contributions due and file the contribution return and wage report for each of those calendar quarters on or before the last day of the second month of the nextcalendar quarter. However, if paragraph (c)(2)(i) permits additional time, that paragraph applies.

(3) *Good cause.* If good cause is shown, the Secretary may allow a State, or an instrumentality of two or more States, additional time to file a contribution return and wage report. (Interest will be assessed for failure to pay contributions within the prescribed time period. See § 404.1225.)

(4) *Consolidated report incomplete.* If the responsible State official has not received a wage report for the State or any of its political subdivisions in time to file a consolidated wage report by the due date the State official shall indicate on the recapitulation report each political subdivision, coverage group or payroll unit which has not submitted a wage report. Upon receipt of the delinquent wage report, the State official shall send it to the SSA and shall deposit in the Federal Reserve Bank, or one of its branches, any contributions payable on the additional wages reported. Interest will be assessed on those delinquencies (see § 404.1226).

(5) *Due date is a Federal nonworkday.* If the last day for paying contributions or filing any wage reports or contribution returns falls on a Federal nonworkday, the contributions may be paid and the contribution return or wage report filed on the next business day.

(6) *Mailed reports and deposits.* If mailed, the contribution return or wage report shall be posted in time to reach the SSA under ordinary handling of the mails by the due date. If the deposit is mailed, it shall be posted in time to reach the appropriate Federal Reserve Bank under ordinary handling of the mails by the due date.

3. New § 404.1255a is added to read as follows:

§ 404.1255a Place and time for filing contribution returns, and wage reports, and making deposits of contributions—for months on or after July 1, 1980.

(a) *Deposits.* Contribution payments for wages paid in a month shall be made in the manner prescribed in § 404.1223. Except as provided in paragraph (c)(2) of this section, contribution payments are due and payable as follows:

(1) For each of the first 2 months in a calendar quarter the payments are due on or before the 15th day of the following month, and

(2) For the third month in the calendar quarter, the payments are due on or before the 15th day of the second month of the next quarter, except that for an instrumentality of two or more States, contribution payments for the third month in the calendar quarter are due on or before the last day of the following month.

However, the Secretary may for good cause shown, and upon application by a State or an instrumentality of two or more States, allow further time for the payment of contributions.

(b) *Failure to make deposits when due.* For the interest assessable for failure to make contributions within the prescribed time see § 404.1225.

(c) *Contribution returns and wage reports.*

(1) *Where to be filed.* All contribution returns, wage reports, and adjustment reports shall be filed with the SSA.

(2) *When to be filed.* The State shall file the contribution return and the wage report for any calendar quarter on or before the 15th day of the second month of the next calendar quarter. An instrumentality of two or more States shall file the contribution return and the wage report for any calendar quarter on or before the last day of the first month of the next calendar quarter. In addition, there are the following exceptions both for States and instrumentalities of two or more States.

(i) *For periods before the date of execution of agreement or modification.* If an agreement or modification provides for the coverage of employees for periods before the date of execution of the agreement or modification, any contributions for those periods shall be paid and contribution returns or wage reports for those periods shall be filed within 90 days after the date of execution of the agreement or modification;

(ii) *For initial periods after date of execution of agreement.* If an agreement or modification provides for the coverage of employees for the calendar quarter in which the Secretary signs the agreement, or any of the following four calendar quarters, the State shall pay any contributions due and file the contribution return and wage report for each of those calendar quarters on or before the last day of the second month of the next calendar quarter. However, if paragraph (c)(2)(i) permits additional time, that paragraph applies.

(3) *Good cause.* If good cause is shown, the Secretary may allow a State, or an instrumentality of two or more States, additional time to file a contribution return and wage report. (Interest will be assessed for failure to pay contributions within the prescribed time period. See § 404.1225.)

(4) *Consolidated report incomplete.* If the responsible State official has not received a wage report for the State or any of its political subdivisions in time to file a consolidated wage report by the due date, the State official shall indicate on the recapitulation report each political subdivision, coverage group or payroll unit which has not submitted a wage report. Upon receipt of the delinquent wage report, the State official shall send it to the SSA and shall deposit in the Federal Reserve Bank, or one of its branches, any contributions payable on the additional wages reported. Interest will be assessed on those delinquencies (see § 404.1226).

(5) *Due date is a Federal nonworkday.* If the last day for paying contributions or filing any wage reports or contribution returns falls on a Federal nonworkday, the contributions may be paid and the contribution return or wage report filed on the next business day.

(6) *Mailed reports and deposits.* If mailed, the contribution return or wage report shall be posted in time to reach the SSA under ordinary handling of the mails by the due date. If the deposit is mailed, it shall be posted in time to reach the appropriate Federal Reserve Bank under ordinary handling of the mails by the due date.

C. Results of Social Security Survey of States

(Legislation recommended by the Finance Committee in 1975 (Public Law 94–202) effectively postponed then pending plans to require more frequent State deposits in order to assure adequate time to review proposals and in order to permit the results of a survey of the States on this issue to be collected and analyzed. The results of this survey, as analyzed by the Social Security Administration, are printed below.)

I. Background

Under the terms of the social security coverage agreements entered into between the individual States and the Secretary of Health, Education, and Welfare pursuant to section 218 of the Social Security Act, the State assumes full responsibility for all aspects of the coverage, including filing wage reports and paying contributions for all covered State and local government employees. The reporting and payment regulations are in part based upon the statutory requirement (section 218(i)) which stipulates that the requirements for this program shall be the same, so far as practicable, as those imposed on employers under the Internal Revenue Code. At the present time the requirements imposed on the States are substantially less restrictive than those applicable to private employers.

As a result of the Social Security Administration's reevaluation of its regulatory requirements for payment of contributions and the concern and opposition of the States to an accelerated depository schedule, the Subcommittee on Social Security of the House Ways and Means Committee requested that factual data be obtained from the States to identify specific problems. The questionnaire for this purpose was developed by SSA and the National Conference of State Social Security Administrators. It was designed to secure 1974 data as the most recent available and to assume for purposes of computation and analysis, the establishment of a *monthly depository procedure*.

II. Scope of Report

This report summarizes the data received from the States which responded by May 1, 1976.[1] It does not attempt to evaluate facts or draw conclusions. Where the response to a particular item is unclear or raises some question as to the meaning, SSA comments are shown as footnotes.

III. Summary of Significant Information

The most significant data about the financial, legal and administrative implications of change is summarized below. A complete summary of all of the questionnaire responses is attached as an appendix.

[1] Not responding were Hawaii, Idaho, Kentucky, Michigan, Pennsylvania, Rhode Island, South Carolina, Virginia, West Virginia, Wyoming, as well as Puerto Rico. [Staff note: SSA has not received any additional responses since that date.]

Thirty-seven States reported that they received and invested contributions prior to the Federal due date from which they derived combined interest earnings in excess of $45 million in calendar year 1974 or fiscal 1975.

Twenty States estimated combined earnings of over $23 million from political subdivision investments of contributions.

In 17 States some or all contributions were paid to the State more than once each quarter.

Twenty-two States applied most or all interest earnings to general revenues. Twelve States applied part of the earnings to the administrative costs incurred by the State social security agency. Four States applied some or all earnings to another employee benefit plan. Eight States did not indicate how all interest earnings were used.

For States investing, the estimates of interest earnings losses to the State under a monthly depository procedure ranged from $54,000 to over $3.6 million. Estimated present administrative costs for the State social security agencies ranged from none to over $980,000. Estimates of added administrative costs for the State ranged from none to over $104,000.

For the year of implementation a change to a monthly payment schedule would require payment of contributions for 14 months. Securing these additional funds was cited as a major problem by a number of States.

Five States reported that State law amendments would be needed to implement a monthly depository procedure,[2] and four others indicated the possible need for such amendments.

Many States indicated documentation is required by employing entities and the State to support the precise amount of employers' liability before contribution payments can be authorized or received. The wage report frequently serves this purpose. The extent to which other documentation could serve this purpose was inconclusive.

Many States provided detailed explanations of their concerns as well as other implications they foresee. Some of the other implications are summarized in of the appendix.

[2] In some instances, it was not apparent from an examination of the statutes cited why change would be needed.

APPENDIX

Table of Contents

A. Financial implications:

1. Total contributions (employer-employee) paid in calendar year 1974 for State employees [1] $1, 708, 593, 121

   Total contributions paid in 1974 for included political subdivision employees $3, 933, 117, 790

   In 8 States, the State paid from State funds the employers' shares of contributions for some political subdivision employees, primarily teachers. In 1 additional State, Florida, the State pays the employers' shares for all political subdivisions in the State.

2. Use of contributions—State:

   (a) Number of States reporting State investments of State and/or political subdivision contributions 37

   Massachusetts, Nevada, North Dakota, Ohio stated no investments. Only 3 States reported that at least some investments were only of employees' shares.

   (b) Total estimated interest earnings reported.. $45, 904, 162

   (c) Range of interest earnings ($70,000 to over $6,000,000):

   Over $5,000,000 (New Jersey) 1

   $1,000,000 to $5,000,000 California, Florida, Georgia, Indiana, Iowa, Kansas, Mississippi, Maryland, Missouri, Nebraska, New York, North Carolina, Oregon, Tennessee, Texas, Wisconsin) 16

   $500,000 to $1,000,000 (Connecticut, Illinois, Minnesota, Montana, New Mexico, Oklahoma, Washington) 7

   $100,000 to $500,000 (Alabama, Alaska, Arkansas, Arizona, Colorado, Delaware, Louisiana, New Hampshire, South Dakota, Vermont) 10

   Less than $100,000 (Maine, Utah, Virgin Islands) 3

   (d) Use of interest earnings:

   Goes into State general funds (Alaska, Arkansas, California, Delaware, Illinois, Indiana, Iowa, Kansas, Louisiana, Minnesota, Missouri, Nebraska, New Jersey, New Mexico, North Carolina, Oklahoma, South Dakota, Tennessee, Texas, Vermont, Washington, Virgin Islands) 22

   Other uses (Colorado, Florida, Maryland, Mississippi, Montana, New York, Wisconsin) [2] 7

[1] Total paid by all States for State and political subdivision employees for calendar year 1974 was $7,382,838,464.

[2] Florida, Mississippi, Montana, and Wisconsin, apply some or all earnings to another employee benefit plan.

Financial implications—Continued

2. Use of contributions—State—Continued	
(d) Use of interest earnings—Continued	
Not shown (Alabama, Connecticut, Georgia, New Hampshire, and Utah gave no information as to use. Arizona, Oregon, and Maine show administrative costs are derived from interest earnings, but do not show use of balance of earnings)	8
Defray administrative costs of State Social Security Administrator's Office (Arizona, Colorado, Florida, Kansas, Louisiana, Maine, Maryland, Montana, New Mexico, New York, Oregon, Wisconsin. These States are also included in above figures as interest earnings exceeded administrative costs and therefore would also have been used for other purposes)	12
(e) Use of contributions in States not investing:	
Not used (Ohio, Massachusetts)	2
Deposited in State-owned bank or social security revolving fund (Nevada, North Dakota)	2
3. Use of contributions—Political subdivisions: [3]	
(a) Number of States furnishing estimate of political subdivision earnings from investments of contributions (balance show none, unknown, or minimal earnings)	20
(b) Total reported as estimated earnings	$23, 323, 297
(c) Range of earnings—$21,000 to $7,000,000:	
Over $5,000,000 (California)	1
$1,000,000 to $5,000,000 (Missouri, Nebraska, New Jersey, Texas, Wisconsin)	5
$500,000 to $1,000,000 (Arizona, Georgia, Illinois, Indiana, Minnesota, Vermont)	6
$100,000 to $500,000 (Colorado, Connecticut, Maine, Oklahoma)	4
Less than $100,000 (Alaska, Delaware, South Dakota, Virgin Islands)	4
4. Estimated interest earnings losses to States if States were to adopt a monthly deposit procedure: [4]	
(a) Total estimated losses	$30, 054, 245
(b) Range of losses—$54,000 to over $3,900,000:	
States estimating $1,000,000 or more (California, Florida, Georgia, Indiana, Kansas, Maryland, Mississippi, Missouri, New Jersey, New York, North Carolina, Oregon, Tennessee, Texas, Wisconsin)	15
States estimating $500,000 to $1,000,000 (Connecticut, Illinois, Minnesota, Montana, Nebraska, New Mexico, Oklahoma, Washington)	8

[3] Because there are many hundreds of political subdivisions within each State, it was not feasible for the States to furnish precise information as to political subdivision uses of contributions. Most States reporting indicated that some political subdivisions invest contributions while others use for current cash flow or other purposes until the due date. Where investments are made, some invest both shares, others only the employees' shares, drawing the employer's share at the payment due date. Investment earnings are reported as used mainly for general funds or operating expenses, but some States did not have or did not provide this information.

[4] Included in figures are 17 States which stated all interest presently being earned would be lost. It would appear that some interest could be earned with a monthly depository procedure by the short term investment of funds between the time collected and the time deposited.

A. Financial implications—Continued

4. Estimated interest earnings losses—Continued	
(b) Range of losses—Continued	
States estimating $100,000 to $500,000 (Alabama, Alaska, Arizona, Arkansas, Colorado, Delaware, Louisiana, New Hampshire, South Dakota, Vermont)	10
States estimating $50,000 to $100,000 (Maine, Utah, Virgin Islands)	3
None or not applicable (Iowa, Massachusetts, Nevada, New Dakota, Ohio)	5
5. Estimated interest earnings losses to political subdivisions if States were to adopt a monthly deposit procedure:	
(a) States estimating specific amounts which would be lost	20
(b) Amounts reported as estimated losses	$12, 345, 538
(c) Range of losses—$14,000 to $3,000,000:	
States estimating $1,000,000 or more (California, New Jersey, Texas, Wisconsin)	4
States estimating $500,000 to $1,000,000 (Arizona, Georgia, Illinois, Indiana, Minnesota, Missouri)	6
States estimating $100,000 to $500,000 (Colorado, Connecticut, Maine, Nebraska, Oklahoma)	5
States estimating less than $100,000 (Alaska, Delaware, South Dakota, Vermont, Virgin Islands)	5
6. Administrative costs of State social security agencies:	
(a) Range of costs—None to $982,203:	
States showing $200,000 or more (California, Florida, Maryland, Mississippi, New York, Texas, Wisconsin)	7
States showing $100,000 to $200,000 (Alabama, Arkansas, Georgia, Oregon, North Carolina, Tennessee)	6
States showing $50,000 to $100,000 (Arizona, Colorado, Connecticut, Illinois, Iowa, Kansas, Louisiana, Minnesota, Montana, New Jersey, New Mexico, North Dakota, Oklahoma, Washington)	14
States showing less than $50,000 (Alaska, Delaware, Indiana, Maine, Missouri, Nebraska, New Hampshire, Nevada, Ohio, South Dakota, Utah, Vermont)	12
States showing none (Massachusetts, Virgin Islands)	2
(b) How State agency administrative costs met:	
From investment earnings (Arizona,* Colorado, Florida, Kansas, Louisiana, Maine, Maryland, Montana, New Mexico, New York, Oregon, Wisconsin)	12
From charges to political subdivisions (Alaska, Arizona,* Arkansas, Connecticut, Georgia, Illinois, Indiana, Minnesota, Mississippi,* Montana, Nevada, North Carolina,* North Dakota, Ohio, Oklahoma, Texas, Washington)	17

*More than one source.

A. Financial implications—Continued
6. Administrative costs—Continued
(b) How State agency, etc.—Continued

From appropriations, general funds or other (Alabama, California, Delaware, Iowa, Mississippi,* Missouri, Nebraska, New Jersey, North Carolina,* South Dakota, Tennessee, Utah, Vermont)	13

7. Estimated added administrative costs with a monthly deposit procedure:
(a) Range of added administrative costs estimated for State social security agency: [5]
Range none to $104,554.

Over $100,000	1
$50,000 to $100,000	8
$25,000 to $50,000	9
Less than $25,000	15
Not estimated or none	8

(b) Range of estimated added administrative costs estimated by States for political subdivisions: [6]
Range none to $750,000.

Over $100,000	4
$50,000 to $100,000	3
$25,000 to $50,000	3
Less than $25,000	4
Not estimated or none	27

8. Budgetary impact in year of implementation: [7]
Fourteen States cited the liability for 2 months additional contributions in the year of implementation. Fourteen indicated no particular impact, two of these giving their accounting and budgeting basis as the reason. Other impacts given were loss of interest earnings, increased administrative costs, problems in making funds available, the need to borrow funds, and, in a few instances, lack of borrowing authority.

B. Legal and administrative implications:
1. States indicating enactment of State legislation would be required to implement a more frequent depository procedure:

State: [8]	*Next session of legislature at which legislation could be considered*
Alabama	1976
Colorado	1977
Montana	1977
North Carolina	1977
South Dakota	1977

States uncertain: Illinois, New Jersey, Washington, Wisconsin.

* More than one source.
[5] SSA and many of the States recognized that this question cannot be answered realistically without knowledge of the specific payment requirements.
[6] Information as to these costs are almost impossible to determine at this point without extensive surveys.
[7] If deposits were made monthly, the States would be required to pay two additional months contributions in the year of implementation. Contributions would be due in that year for the months of October and November, which under present procedures are now due, along with December, February 15 of the following year. Many States did not cite this as a problem in responding to the questionnaire item.
[8] In some instances, it is not clear from examination of the statutes cited why change is required.

B. Legal and administrative implications—Continued
2. Documentation required to support payment of contributions:

With respect to documentation required by political subdivisions to support payment of contributions to State agencies, a variety of requirements were cited, such as: vouchers, warrants, certification of amount withheld from employees, or of covered wages, and payroll information or records. Some of these are indicated to be required by statute. Eight States stated the wage report was required by political subdivisions as documentation, with four of these stating the wage report is a statutory requirement.

The documentation required by the State social security agencies to support State agency payment of contributions includes: amount of withheld employee contributions, vouchers, statement of wages, payroll information. Some of the requirements are set by statute. Fourteen States stated wage reports are required with the payment, six of these stating requirement was by statute.

The documentation required by State social security agencies to support political subdivision payment of contributions included: vouchers, amount of withheld employee contributions, payroll information, certified statements, etc. Some types are required by statute. Thirty-two States stated that wage report is required to substantiate the contribution payment, 16 of these stated it is required by statute.[9]

3. Dates payments are due in State social security agencies from other State agencies and political subdivisions: [10]

The due dates vary from monthly to 12 to 30 days after the end of the calendar quarter.

In 17 States some or all of the contributions are paid to the State social security agency more than once each quarter (primarily each pay date or monthly). (Arizona, Arkansas, Connecticut, Florida, Illinois, Iowa, Kansas, Maryland, Minnesota, Mississippi, Montana, New Mexico, North Carolina, Oregon, South Dakota, Tennessee, Texas). In two States, it was indicated that only the employees' shares for State agencies are paid more frequently (Maryland, Connecticut).

Seven States stated the State agency payment due date is set by statute.[11] (Alabama, Colorado, Illinois, Maine, Nebraska, Oklahoma, Wisconsin).

4. Frequency of wage payments:
(a) State employees (relates to 35 States):

Approximate percentage paid weekly, daily, or hourly (percent)	<1

[9] Statutory requirements with respect to wage reports referred to in B.2. were not apparent from examination of the statutes cited. The extent to which a statement of withheld employee contributions or total wages on which contributions were payable or some similar device could serve as documentation could not be determined.
[10] The Federal due date is the 15th day of 2d month following the end of each calendar quarter. (For interstate instrumentalities the due date is the end of the month following the close of the calendar quarter.)
[11] In at least five of these States it was not apparent from examination of the statutes cited that a due date was specified. It does not appear that specific due dates were included in any State's enabling legislation.

B. Legal and administrative implications—Continued

4. Frequency of wage payments—Continued

(a) State employees—Continued

Approximate percentage paid biweekly or semimonthly (percent)	57
Approximate percentage paid monthly or other (percent)	42

(b) Political subdivision employees (only 21 States were able to supply information):

Approximate percentage paid weekly, daily or hourly (percent)	8
Approximate percentage paid biweekly or semimonthly (percent)	42
Approximate percentage paid monthly or other	50

5. Administrative changes the States believe are needed to implement a monthly deposit procedure:[12]

Most States indicated additional employees would be needed. The estimates ranged from 1 to 6, and triple present number of employees in States which specified numbers.

Space, equipment, computer service.

Added recordkeeping.

Restructuring of State agency and new accounting system (1 State).

Change regulations and contracts with political subdivisions (1 State).

Issue new instructions and forms (1 State).

C. Other items covered in the questionnaire:

1. States' opinions as to whether termination of coverage might be stimulated:

Yes or possibly (reasons given are such things as added administrative costs, loss of interest earnings, adverse publicity, increased program costs)	33
None or no basis for opinion	8

2. Pertinent comments of States in connection with the execution of the original coverage agreements:

Of the 24 States which commented, 16 indicated that at the time of entering into the original agreement it was not expected that changes would be made in the requirements for quarterly reports and payments.[13]

3. Additional objections advanced by the States:

Replacement of funds and added staff when States are having financial problems.

Problems in obtaining compliance from political subdivisions, and weakening in State control.

More paperwork.

Question Federal authority to require more frequent deposits.

Would work counter to goal of universal coverage.

4. Legal authority of State to advance payment for contributions for political subdivisions which fail to submit timely payments to the State:

None	28
Yes or limited authority	13

5. Whether contributions are mixed with other State funds and invested:

Yes	22
No, no investments, or not shown	19

[12] Some States indicated that it was difficult to provide precise information. Some States may find it necessary to change regulations, instructions, forms and procedures.

[13] The States have in past actively pursued and obtained liberalization in the original reporting requirements.

C. Other items covered in the questionnaire—Continued

6. Legal authority with respect to investment or non-investment of contributions:

No provision for investment (North Dakota)	1
Prohibited for political subdivisions only (New York)	1
Investments required at State level (Arkansas, Colorado, Florida, Kansas, Louisiana, Maryland, Maine, Montana, Nebraska, North Carolina, Oregon, South Dakota, Wisconsin)	13

In all other instances there are no or limited legal provisions.

7. Problems in receiving Federal grants which affect timely payment of contributions by political subdivisions:

Some problems (HUD, CETA, Medicare, Medicaid, etc.)—(Alabama, Arkansas, Connecticut, Maryland, Minnesota, Montana, New Mexico, North Dakota, South Dakota, Tennessee, Vermont, Washington, Wisconsin)	13
None or unknown	28

D. Tables

TABLE 1.—STATE AND POLITICAL SUBDIVISION DATA, 1977

[Figures shown in thousands]

State	Reporting units (State and subdivisions)	State employees	Local employees	Total 1977 deposits (in millions)
Alabama	1,710	55.5	182.3	$188.2
Alaska	130	14.3	11.4	33.5
Arizona	571	20.7	136.4	153.2
Arkansas	1,512	28.4	89.8	94.8
California	2,638	112.6	484.6	718.5
Colorado	596	.050	47.1	51.5
Connecticut	421	46.2	61.9	69.1
Delaware	67	28.3	5.5	38.0
Florida	1,018	92.7	321.1	430.0
Georgia	1,563	49.1	245.2	187.1
Hawaii	130	31.3	9.6	58.5
Idaho	1,259	23.4	41.4	51.8
Illinois	3,641	60.8	216.3	205.0
Indiana	2,873	31.6	257.6	263.8
Iowa	2,749	45.4	147.5	176.1
Kansas	2,086	40.3	118.1	167.3
Kentucky	1,205	76.2	70.8	111.2
Louisiana	871	6.0	77.4	51.7
Maine	598	None	28.5	17.1
Maryland	422	71.6	193.9	271.8
Massachusetts	2	None	.019	.016
Michigan	2,223	66.6	457.9	714.6
Minnesota	2,282	37.1	149.5	208.9
Mississippi	947	39.6	109.8	88.5
Missouri	2,184	66.0	161.1	84.5
Montana	720	19.0	37.6	51.8
Nebraska	2,171	27.4	94.4	99.4
Nevada	36	None	2.0	.9
New Hampshire	523	11.6	40.8	41.4
New Jersey	2,237	69.8	383.8	455.4

TABLE 1.—STATE AND POLITICAL SUBDIVISION DATA, 1977—Continued

[Figures shown in thousands]

State	Reporting units (State and subdivisions)	State employees	Local employees	Total 1977 deposits (in millions)
New Mexico	272	29.6	46.9	71.7
New York	3,450	204.3	872.7	1,356.0
North Carolina	1,293	21.4	324.6	305.4
North Dakota	1,157	17.2	25.9	35.8
Ohio	3	None	3.7	5.6
Oklahoma	1,565	50.2	115.5	172.5
Oregon	1,068	52.9	113.4	171.4
Pennsylvania	4,119	134.6	493.5	759.7
Puerto Rico	205	128.0	42.9	136.5
Rhode Island	87	17.7	22.2	45.4
South Carolina	682	39.0	145.0	157.5
South Dakota	731	18.9	34.4	38.1
Tennessee	1,934	51.5	172.0	200.8
Texas	2,143	200.5	268.0	420.4
Utah	356	16.4	69.4	75.4
Vermont	678	10.6	21.3	23.5
Virginia	888	104.2	224.4	302.1
Virgin Islands	6	11.3	.510	10.9
Washington	1,489	130.9	119.8	199.6
West Virginia	750	64.8	47.8	101.1
Wisconsin	2,642	66.4	216.5	282.6
Wyoming	385	7.6	28.0	32.2
Interstate instrumentalities	62	15.0	None	20.0
Total	65,350	2,564.0	7,591.3	10,007.8

Source: Social Security Administration.

TABLE 2.—ESTIMATED ADDITIONAL INTEREST INCOME THAT COULD BE EARNED BY THE TRUST FUNDS OVER PRESENT DEPOSITORY METHOD

[In millions]

Calendar year	Deposit requirements			Differences		
	Semimonthly	HEW original proposal (15-15-15)	HEW revised regulations (15-15-45)	Semimonthly/15-15-15	15-15-15/15-15-45	Semimonthly/15-15-45
1980	$191.7	$180.4	$150.3	$11.3	$30.1	$41.4
1981	230.3	216.7	180.5	13.6	36.2	49.8
1982	252.8	237.9	198.2	14.9	39.7	54.6
1983	271.9	255.9	213.2	16.0	42.7	58.7
1984	292.4	275.2	229.3	17.2	45.9	63.1
Total 1980-84	1,239.1	1,166.1	971.5	73.0	194.6	267.6
1985	314.3	295.8	246.5	18.5	49.3	67.8
Total, 1980-85	1,553.4	1,461.9	1,218.0	91.5	243.9	335.4
Total 5 yr (July 1, 1980 to June 30, 1985) [1]	1,300.4	1,223.8	1,019.6	76.6	204.2	280.8

[1] Estimated by including 1/2 of the amounts for both 1980 and 1985. Source: General Accounting Office.

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