FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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This report is authorized for distribution only to shareholders and to others who have received a copy of the prospectus of the T. Rowe Price Short-Term U.S. Government Fund.

Invest With Confidence (registered trademark)
T. Rowe Price

USG

SemiAnnual Report

T. Rowe Price
Short-Term U.S. Government Fund

November 30, 1995

Fellow Shareholders

The bond market rally that began about one year ago continued through the most recent six-month period ended November 30, 1995, resulting in solid returns for your fund. This 12-month rally, one of the strongest on record, followed one of the sharpest bond market sell-offs in history in 1994. The rise in bond prices and decline in yields was underpinned by moderate economic growth, low inflation, and good prospects for meaningful budget reform.

Market Environment

Long-term rates as measured by 30-year Treasury bonds fell by almost two percentage points over the 12 months from 8% to 6.2%, with about one-third of the drop occurring since May 31. The drop in shorter-term rates was less steep but still pronounced, as shown in the chart. Yields on the two-year Treasury note and one-year Treasury bill fell about 184 and 124 basis points, respectively, during the 12-month period, with about 60 to 70 basis points of each decline occurring in the most recent six-month period. (A basis point is one-hundredth of one percent.)

Responding to a sharp slowdown in growth, the Federal Reserve cut the federal funds rate to 5.75% in early July. Nevertheless, on November 30, the fed funds rate was the highest of all short-term rates - higher, in fact, than yields on all Treasury securities with maturities under 10 years. This development reflected the widespread optimism among fixed income investors that progress on deficit reduction would prompt the Fed to cut rates in the near future.

Corporate securities were the top performing sector for both the most recent 6- and 12-month periods. Treasury securities outperformed mortgage-backed securities primarily because investors feared a significant upsurge in mortgage prepayments as interest rates fell. Although the increase was less than expected, prepayment concerns dampened enthusiasm for securities such as Ginnie Maes (GNMAs). (Because mortgages are paid off at par value, prepayments cause a loss to any investors who may have purchased them at a price above par.)

Chart 1 - Interest Rate Levels

Performance and Strategy Review

The broader investment program adopted by your fund last winter was beneficial in this market environment and contributed to its strong returns. As shown in the table, results compared favorably with our peer group average for the six-month period and lagged slightly for the 12 months, due primarily to the portfolio's high exposure to mortgages earlier in the year. For both periods, performance consisted of share price gains as well as the income return. (Reflect-ing mortgage prepayments, 14.6% of the fund's income distributions for January through April 1995 was classified as a "return of capital" and is reported on Form 1099-DIV we send to you in January. This percentage of the dividends paid to you is not subject to federal income tax and should be subtracted from the cost basis of your fund investment.)

Performance Comparison

	Periods Ended 11/30/95	
	6 Months	12 Months
Short-Term U.S. Government Fund	3.93%	10.14%
Lipper Average of Short-Term U.S. Government Funds	3.83	10.73

We made a number of shifts in the portfolio during the past six months that increased its interest rate sensitivity and helped us maintain an attractive income level. A 20% position was established in three-year Freddie Mac (FHLMC) mortgage securities (callable in one year) offering higher yields than Treasuries. We invested another 20% of assets in short-term debt issued by Fannie Mae (FNMA). And our third major change was to purchase AA-rated, short-term corporate bonds that also enhanced income and, along with our Treasury holdings, helped boost the fund's share price as rates declined. The fund's Treasury position declined four percentage points to 19%, but stayed within the 15% to 25% range we expect to maintain. This core position provides high liquidity and a convenient way for us to adjust duration (a measure of the fund's price sensitivity to interest rate changes) in response to our outlook for interest rates and prepayments.

We sharply reduced our exposure to adjustable rate mortgage (ARM) securities from 62% on May 31 to 8% on November 30, completely eliminating our holdings of Ginnie Mae (GNMA) and Freddie Mac ARMs. Like fixed rate mortgages, ARMS lagged the market rally because investors feared a sharp rise in prepayments like the one that accompanied the bond rally of 1993. While prepayments accelerated, they never even approached 1993 levels. ARMs, however, bore the brunt of increased refinancing activity as many homeowners switched to fixed rate loans when confronted with their first upward rate adjustments.

Outlook

Your fund benefited from the optimistic tenor of the bond market in recent months - an optimism fueled by widespread expectations of federal deficit reduction. A consensus has emerged that if government spending is indeed curtailed, the Federal Reserve will loosen monetary policy to encourage the greater private-sector spending needed to maintain acceptable economic growth. We hope this scenario will play out, bringing further declines in interest rates and favorable bond markets.

We are reasonably hopeful of this outcome and expect to maintain current duration near the high end of the fund's range (approximately 2.25 to 2.75 years) until the budget impasse is resolved. However, if it becomes apparent that Washington is reverting to "business as usual" regarding the deficit and the Fed is, therefore, less likely to ease further, we may adopt a more defensive posture.

Respectfully submitted,

Peter Van Dyke
President and Chairman of the
Investment Advisory Committee

December 18, 1995

Portfolio Highlights

T. Rowe Price Short-Term U.S. Government Fund / November 30, 1995

Key Statistics

Dividend Yield*	Periods Ended November 30, 1995
6 Months	6.09%
12 Months	6.18

Dividend Per Share	
6 Months	$0.14
12 Months	0.28

Change in Price Per Share	
6 Months (From $4.67 to $4.71)	$0.04
12 Months (From $4.54 to $4.71)	0.17

	5/31/95	11/30/95
Weighted Average Quality**	1.1	1.3

* Dividends earned and reinvested for the periods indicated are annualized and divided by the average daily net asset values per share for the same period.
** On a T. Rowe Price scale of 1 to 10, with Grade 1 representing the highest quality.

Sector Diversification*

	Percent of Net Assets 5/31/95	11/30/95
Corporate Notes and Bonds	-	21%
FHLMC Fixed Rate Mortgages	-	20
FNMA Debentures	-	20
U.S. Treasury Securities	23%	19
U.S. Government Agency Asset-Backed	11	9
Home Equity Loan-Backed	-	5
FNMA Adjustable Rate Mortgages	11	4
GNMA Fixed Rate Mortgages	4	4
Non-Government Adjustable Rate Mortgages	5	4

* Sectors representing at least 2% of net assets on 11/30/95. Allocations as of 11/30/95 exceed 100% due to unsettled trades.

Maturity Diversification

Range	Percent of Net Assets 5/31/95	11/30/95
0 to 1 Year	24%	3%
1+ to 2 Years	9	7
2+ to 3 Years	-	36
Over 3 Years	67	54
Weighted Average Maturity	2.7 yrs.	2.8 yrs.
Weighted Average Duration	2.6 yrs.	2.6 yrs.

Average Annual Compound Total Return

Periods Ended November 30, 1995

1 Year	Since Inception 9/30/91
10.14%	4.35%

Note: For the above periods ended 9/30/95, the fund's returns were 7.71%, and 4.00%, respectively.

Investment return and principal value represent past performance and will vary. Shares may be worth more or less at redemption than at original purchase.

Statement of Net Assets
T. Rowe Price Short-Term U.S. Government Fund / November 30, 1995 (Unaudited)
(amounts in thousands)

	Amount	Value
U.S. Government Mortgage-Backed Securities - 40.2%		
U.S. GOVERNMENT AGENCY OBLIGATIONS - 20.3%		
Federal Home Loan Mortgage,		
6.50%, 6/1/99	$ 4,788	$ 4,833
8.00%, 1/1/96 - 2/1/00	6,835	6,909
TBA, 5.50%, 12/1/00	5,000	4,934
6.00%, 12/1/00	5,000	5,005
		21,681
U.S. GOVERNMENT AGENCY ASSET-BACKED - 9.4%		
Federal National Mortgage Assn.,		
8.00%, 4/25/25	9,500	10,013
U.S. GOVERNMENT GUARANTEED OBLIGATIONS - 4.4%		
Government National Mortgage Assn., I,		
11.50%, 3/15/10 - 12/15/15	2,505	2,856
Project Loan, 9.125%, 12/15/28	1,813	1,915
		4,771
U.S. GOVERNMENT AGENCY ARM - 4.4%		
Federal National Mortgage Assn.,		
6.315%, 1/1/19	854	859
6.361%, 5/1/17 - 8/1/20	539	544
6.374%, 3/1/20	220	222
6.375%, 8/1/17 - 7/1/18	506	508
6.38%, 3/1/18	41	42
6.383%, 10/1/17 - 7/1/27	893	902
6.39%, 5/1/24	144	145
6.394%, 12/1/16 - 5/1/31	999	1,009
6.396%, 3/1/19	21	21
6.817%, 10/1/14	11	11
7.20%, 1/1/16	109	109
7.482%, 11/1/21	222	222
7.725%, 8/1/21	32	33
8.00%, 5/1/17	52	52
		4,679
STRIPPED MORTGAGE SECURITIES - 1.7%		
Federal National Mortgage Assn., Principal Only,		
Zero Coupon, 9/25/23	1,832	1,800
Total U.S. Government Mortgage-Backed Securities (Cost $42,645)		42,944
U.S. Government Obligations - 39.2%		
U.S. GOVERNMENT AGENCY OBLIGATIONS - 20.7%		
Federal Home Loan Mortgage, Deb.,		
6.23%, 9/25/98	1,000	1,003

Federal National Mortgage Assn., MTN,		
5.22%, 7/10/98	5,000	4,964
5.85%, 2/2/98.	5,000	5,037
6.35%, 6/9/00.	5,000	5,063
6.63%, 9/3/98.	6,000	6,080
		22,147
U.S. GOVERNMENT GUARANTEED OBLIGATIONS - 18.5%		
U.S. Treasury Notes, 5.875%, 6/30/00	2,350	2,382
6.125%, 7/31/00.	15,000	15,347
6.25%, 5/31/00	2,000	2,056
		19,785
Total U.S. Government Obligations		
(Cost $41,140)		41,932
Corporate Bonds and Notes - 20.5%		
FINANCE AND CREDIT - 5.9%		
Associates Corporation of North America,		
8.80%, 8/1/98.	3,000	3,207
Norwest Financial, 6.23%, 9/1/98	3,000	3,038
		6,245
INDUSTRIALS - 9.8%		
Du Pont (E. I.) De Nemours & Co.,		
9.15%, 4/15/00	2,900	3,255
General Electric, 7.875%, 9/15/98.	3,000	3,161
Pitney Bowes Credit, MTN, 5.84%, 6/9/98.	2,000	2,002
Rockwell International, 7.625%, 2/17/98.	2,000	2,076
		10,494
MISCELLANEOUS - 2.9%		
Ciesco, MTN, 7.38%, 4/19/00.	3,000	3,127
TELEPHONE - 1.9%		
BellSouth Telecom, 6.50%, 2/1/00	2,000	2,047
Total Corporate Bonds and Notes		
(Cost $21,604)		21,913
Non-Government Securities - 8.3%		
HOME EQUITY LOAN-BACKED - 4.6%		
HFC Home Equity Loan, 4.75%, 5/20/08	1,899	1,885
Vanderbilt Mortgage & Finance,		
6.475%, 6/7/03	3,000	3,041
		4,926
NON-GOVERNMENT AGENCY ARM - 3.7%		
Resolution Trust Corp., MPC,		
7.37%, 7/25/21	977	975
8.141%, 12/25/20	562	571
Ryland Mercury Savings Trust, MPC,		
6.129%, 5/20/18.	708	703
Ryland Mortgage Securities, MPC,		
7.744%, 3/25/17.	626	592
Salomon Brothers Mortgage Securities, MPC,		
6.835%, 8/25/18.	1,122	1,075
		3,916
Total Non-Government Securities		
(Cost $8,991)		8,842
Commercial Paper - 0.1%		
Investments in Commercial Paper through a		
joint account, 5.90-5.93%, 12/1/95		
(Cost $120).	120	120
Total Investments in Securities - 108.3% of Net Assets		
(Cost $114,500)		115,751
Payable for Investments Purchased		(9,954)

Other Assets Less Liabilities		1,049

Net Assets Consist of:	Value	
Accumulated net investment income - net of distributions	$ (590)	
Accumulated net realized gain/loss - net of distributions	(23,508)	
Net unrealized gain (loss)	1,251	
Paid-in-capital applicable to 22,683,479 shares of $0.01 par value capital stock outstanding; 1,000,000,000 shares authorized	129,693	
NET ASSETS		$ 106,846
NET ASSET VALUE PER SHARE		$4.71

ARM Adjustable Rate Mortgage
MPC Mortgage Pass-through Certificate
MTN Medium Term Note
TBA To be announced security was purchased on a forward commitment basis

The accompanying notes are an integral part of these financial statements.

Statement of Operations
T. Rowe Price Short-Term U.S. Government Fund / Six Months Ended November 30, 1995 (Unaudited)
(in thousands)

INVESTMENT INCOME	
Interest income	$ 3,690
Expenses	
Investment management	156
Shareholder servicing	89
Custody and accounting	84
Prospectus and shareholder reports	17
Legal and audit	16
Registration	12
Organization	5
Directors	3
Miscellaneous	3
Total expenses	385
Expenses paid indirectly	(1)
Net expenses	384
Net investment income	3,306
REALIZED AND UNREALIZED GAIN (LOSS)	
Net realized gain (loss) on securities	471
Change in net unrealized gain or loss on securities	409
Net realized and unrealized gain (loss)	880
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ 4,186

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets
T. Rowe Price Short-Term U.S. Government Fund (Unaudited)
(in thousands)

	Six Months Ended November 30, 1995	Year Ended May 31, 1995
INCREASE (DECREASE) IN NET ASSETS FROM		
Operations		
Net investment income.	$ 3,306	$ 7,577
Net realized gain (loss)	471	(5,753)
Change in net unrealized gain or loss. .	409	4,952
Increase (decrease) in net assets from operations.	4,186	6,776
Distributions to shareholders		
Net investment income.	(3,308)	(7,212)
Tax return of capital.	-	(326)
Decrease in net assets from distributions	(3,308)	(7,538)
Capital share transactions*		
Shares sold.	9,172	21,194
Distributions reinvested	2,682	6,030
Shares redeemed.	(18,273)	(101,592)
Increase (decrease) in net assets from capital share transactions.	(6,419)	(74,368)
Increase (decrease) in net assets.	(5,541)	(75,130)
NET ASSETS		
Beginning of period.	112,387	187,517
End of period.	$ 106,846	$ 112,387

*Share information		
Shares sold.	1,965	4,608
Distributions reinvested	574	1,314
Shares redeemed.	(3,915)	(22,159)
Increase (decrease) in shares outstanding	(1,376)	(16,237)

Notes to Financial Statements
T. Rowe Price Short-Term U.S. Government Fund / November 30, 1995 (Unaudited)

Note 1 - Significant Accounting Policies

T. Rowe Price Short-Term U.S. Government Fund, Inc., (the fund) is registered under the Investment Company Act of 1940 as a diversified, open-end management investment company.

A) Valuation - Debt securities are generally traded in the over-the-counter market. Investments in securities with remaining maturities of one year or more are stated at fair value as furnished by dealers who make markets in such securities or by an independent pricing service, which considers yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities. Securities with remaining maturities of less than one year are stated at fair value, which is determined by using a matrix system that establishes a value for each security based on money market yields.

Assets and liabilities for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by or under the supervision of the officers of the fund, as authorized by the Board of Directors.

B) Premiums and Discounts - Premiums and discounts on debt securities, other than mortgage-backed securities, are amortized for both financial reporting and tax purposes. Premiums and discounts on mortgage-backed securities are recognized upon principal repayment as gain or loss for financial reporting purposes and as ordinary income for tax purposes.

C) Other - Income and expenses are recorded on the accrual basis. Expenses paid indirectly are custody fees paid by float credits earned on daily residual cash balances at the custodian. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Distributions to shareholders are recorded by the fund on the ex-dividend date. Income and capital gain distributions are determined in accordance with federal income tax regulations and may differ from those determined in accordance with generally accepted accounting principles.

Note 2 - Investment Transactions

A) Commercial Paper Joint Account - The fund, and other affiliated funds, may transfer uninvested cash into a commercial paper joint account, the daily aggregate balance of which is invested in high-grade commercial paper. All securities purchased by the joint account satisfy the fund's criteria as to quality, yield, and liquidity.

B) Other - Purchases and sales of portfolio securities, other than short-term and U.S. government securities, aggregated $22,671,000 and $2,614,000, respectively, for the six months ended November 30, 1995. Purchases and sales of U.S. government securities aggregated $110,298,000 and $132,808,000, respectively, for the six months ended November 30, 1995.

Note 3 - Federal Income Taxes

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income. The fund has unused realized capital loss carryforwards for federal income tax purposes of $19,701,000, of which $12,778,000 expires in 2000, $5,229,000 in 2001, and $1,694,000 thereafter through 2003. The fund intends to retain gains realized in future periods that may be offset by available capital loss carryforwards.

At November 30, 1995, the aggregate cost of investments for federal income tax and financial reporting purposes was $114,500,000 and net unrealized gain aggregated $1,251,000, of which $1,647,000 related to appreciated investments and $396,000 to depreciated investments.

Note 4 - Related Party Transactions

The investment management agreement between the fund and T. Rowe Price Associates, Inc. (the Manager) provides for an annual investment management fee, of which $18,000 was payable at November 30, 1995. The fee is computed daily and paid monthly, and consists of an Individual Fund Fee equal to 0.10% of average daily net assets and a Group Fee. The Group Fee is based on the combined assets of certain mutual funds sponsored by the Manager or Rowe Price-Fleming International, Inc. (the Group). The Group Fee rate ranges from 0.48% for the first $1 billion of assets to 0.31% for assets in excess of $34 billion. At November 30, 1995, and for the six months then ended, the effective annual Group Fee rate was 0.34%. The fund pays a pro rata share of the Group Fee based on the ratio of its net assets to those of the Group.

Under the terms of the investment management agreement, the Manager is required to bear any expenses through May 31, 1996, which would cause the fund's ratio of net expenses to average net assets to exceed 0.70%. Thereafter through May 31, 1998, the fund is required to reimburse the Manager for these expenses, provided that average net assets have grown or expenses have declined sufficiently to allow reimbursement without causing the fund's ratio of net expenses to average net assets to exceed 0.70%. Pursuant to this agreement, $85,000 of management fees were not accrued by the fund for the six months ended November 30, 1995. Pursuant to a previous agreement, $596,000 of unaccrued fees from the prior periods remains subject to reimbursement through May 31, 1996.

In addition, the fund has entered into agreements with the Manager and two wholly owned subsidiaries of the Manager, pursuant to which the fund receives certain other services. The Manager computes the daily share price and maintains the financial records of the fund. T. Rowe Price Services, Inc., is the fund's transfer and dividend disbursing agent and provides shareholder and administrative services to the fund. T. Rowe Price Retirement Plan Services, Inc., provides subaccounting and recordkeeping services for certain retirement accounts invested in the fund. The fund incurred expenses pursuant to these related party agreements totaling approximately $126,000 for the six months ended November 30, 1995, of which $26,000 was payable at period-end.

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Financial Highlights
T. Rowe Price Short-Term U.S. Government Fund (Unaudited)

For a share outstanding throughout each period

	Six Months Ended Nov. 30, 1995	Year Ended May 31, 1995	Three Months Ended May 31, 1994#	Year Ended Feb. 28, 1994	Feb. 28, 1993	Sept. 30, 1991** to Feb. 29, 1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD.	$4.67	$4.65	$4.75	$4.83	$4.97	$5.00
Investment activities						
Net investment income	0.14*	0.26*	0.06*	0.23*	0.29*	0.16*
Net realized and unrealized gain (loss)	0.04	0.01	(0.11)	(0.08)	(0.13)	(0.03)
Total from investment activities.	0.18	0.27	(0.05)	0.15	0.16	0.13
. . . .						
Distributions						
Net investment income	(0.14)	(0.24)	(0.05)	(0.17)	(0.28)	(0.16)
Tax return of capital	-	(0.01)	-	(0.06)	(0.02)	-
Total distributions	(0.14)	(0.25)	(0.05)	(0.23)	(0.30)	(0.16)
NET ASSET VALUE, END OF PERIOD	$4.71	$4.67	$4.65	$4.75	$4.83	$4.97
RATIOS/SUPPLEMENTAL DATA						
Total return	3.93%*	6.14%*	(0.97)%*	3.11%*	3.33%*	2.58%*
Ratio of expenses to average net assets.	0.70%!*+	0.59%*	0.50%!*	0.40%*	0.25%*	0.00%!*
Ratio of net investment income to average net assets	6.01%!*	5.48%*	4.69%!*	4.78%*	5.96%*	7.45%!*
Portfolio turnover rate.	239.1%!	100.0%	27.6%!	70.4%	110.8%	98.4%!
Net assets, end of period (in thousands).	$106,846	$112,387	$187,517	$225,154	$476,448	$342,939

<FN>

! Annualized.
\# The fund's fiscal year-end was changed to May 31.

** Commencement of Operations.

* The manager agreed to bear all expenses of the fund through June 30, 1992. Excludes expenses in excess of a 0.20% voluntary expense limitation in effect July 1, 1992 through July 31, 1992, a 0.30% voluntary expense limitation in effect August 1, 1992 through August 31, 1992, a 0.40% voluntary expense limitation in effect September 1, 1992 through February 28, 1994, a 0.50% voluntary expense limitation in effect March 1, 1994 through August 31, 1994, a 0.60% voluntary expense limitation in effect September 1, 1994 through February 28, 1995, and a 0.70% voluntary expense limitation in effect March 1, 1995.

+ Beginning in fiscal 1995, includes expenses paid indirectly.

During fiscal 1995, Price Waterhouse LLP succeeded Coopers & Lybrand, L.L.P. as independent accountants for the T. Rowe Price Short-Term U.S. Government Fund, a decision that was approved by the fund's Board of Directors. During the last two fiscal years, the fund has received unqualified opinions and has had no disagreements with Coopers & Lybrand, L.L.P. or reportable events that caused the change.

</FN>
</TABLE>

Chart 1 - Interest Rate Levels - A 3-line chart showing yields on the 2-yr. Treasury note, the 1-year Treasury bill, and the federal funds rate from 11/30/94 to 11/30/95.