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DEPARTMENT OF
HEALTH AND HUMAN SERVICES
Social Security Administration

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B. Senate Debate—Congressional Record— *December 19, 1970*
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III. Private Law

Private Law 91-228—91st Congress— *December 31, 1970*

SOCIAL SECURITY AMENDMENTS OF 1971

Mr. COLMER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 487 and ask for its immediate consideration.

The Clerk read the resolution as follows:

H. RES. 487

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 1) to amend the Social Security Act to provide increases in benefits, improve computation methods, and raise the earnings base under the old-age, survivors, and disability insurance program, to make improvements in the medicare, medicaid, and maternal and child health programs with emphasis on improvements in their operating effectiveness, to authorize a family assistance plan providing basic benefits to low-income families with children with incentives for employment and training to improve the capacity for employment of members of such families, to achieve more uniform treatment of recipients under the Federal-State public assistance programs and otherwise improve such programs, and for other purposes, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill and shall continue not to exceed eight hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. It shall be in order to consider without the intervention of any point of order the amendment in the nature of a substitute recommended by the Committee on Ways and Means now printed in the bill and such substitute shall also be considered as having been read for amendment. No other amendment to the bill, and no amendment to the committee amendment in the nature of a substitute, shall be in order except amendments offered by direction of the Committee on Ways and Means, but any such amendments shall not be subject to amendment: *Provided however*, That one motion to strike out all of title IV of the committee amendment in the nature of a substitute, beginning on page 559, line 1, through page 633, line 3, of the reported bill may be considered. At the conclusion of such consideration the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and any Member may demand a separate vote in the House on any amendment adopted in the Committee of the Whole to the bill or committee amendment in the nature of a substitute. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

The SPEAKER. The gentleman from Texas is recognized for 1 hour.

Mr. YOUNG of Texas. Mr. Speaker, I yield 30 minutes to the distinguished gentleman from California (Mr. SMITH), pending which I yield myself such time as I may require.

(Mr. YOUNG of Texas asked and was given permission to revise and extend his remarks.)

Mr. YOUNG of Texas. Mr. Speaker, House Resolution 487 provides a modified closed rule with 8 hours of general debate for consideration of H.R. 1, Social Security Amendments of 1971. No amendments to the bill shall be in order except those offered at the direction of the Committee on Ways and Means and all points of order are waived against the bill because of failure to comply with the Ramseyer rule and because the original Social Security Act contained appropriations. The rule also provides that it shall be in order to move to strike title IV of the committee amendment and a separate vote may be had thereon.

H.R. 1, as reported, is a very long and complex piece of legislation. It would make a number of changes in the provisions of the Social Security Act relating to the old-age, survivors, and disability insurance program, the hospital and medical insurance program, the medical assistance program and the child welfare program. In addition, the bill would provide for a basic restructuring of the national welfare system by replacing the four existing federally aided public assistance programs by new Federal programs for needy families and for needy aged, blind, or disabled persons. The bill also would modify the provisions of the Internal Revenue Code relating to the retirement income credit and reductions for child care.

Since the rule provides for 8 hours of debate, there should be ample time for the bill to be adequately explained and debated and, therefore, Mr. Speaker, I move that the resolution be adopted in order that the bill may be considered.

I yield to the distinguished gentleman from California.

Mr. SMITH of California. Mr. Speaker, I yield myself 10 minutes.

(Mr. SMITH of California asked and was given permission to revise and extend his remarks.)

Mr. SMITH of California. Mr. Speaker, House Resolution 487 sets forth the conditions under which H.R. 1, the Social Security Act Amendments of 1971, will be considered. It provides for 8 hours of general debate under a closed rule. No amendments can be offered to the bill except by the Committee on Ways and Means. Any amendments offered by the committee shall not be subject to amendment. The committee bill is made in order as an amendment in the nature of a substitute, inasmuch as the original text of the bill was stricken and new language written therein. This is also restricted from amendment, except amendments offered by the Ways and Means Committee.

All points of order are waived because the Ramseyer rule has not been complied with, and because the Revenue Code and

the Social Security Act would be open for amendment if points of order were not waived. The rule also provides for one motion to strike out all of title IV of the committee amendment in the nature of a substitute, beginning on page 559, line 1, through page 633, line 3.

Mr. Speaker, I am certain that all Members realize that many changes were made in the Rules of the House by the Reorganization Act passed last year. One of the changes has to do with a motion to strike. I wish to particularly mention this so that the Members will realize that only certain debate will be permitted when this motion to strike is offered.

Mr. Speaker, I will not be Chairman during the Committee debate, nor am I the Parliamentarian. I wish to present my opinion of the procedure. If I am wrong, Mr. Speaker, I would be pleased to yield to you or anyone else for correction as I do not intend to misinform the Members. I do, however, think that the following comments are correct.

Under the rules of the House, clause 5 of rule XXIII:

> When general debate is closed by order of the House, any Member shall be allowed 5 minutes to explain any amendment he may offer, after which the Member who shall first obtain the floor shall be allowed to speak 5 minutes in opposition to it, and there shall be no further debate thereon . . .

Thus the procedure for consideration of H.R. 1 will be as follows:

First, after general debate is closed, the Chair will inquire if there are any committee amendments. If so, they will be disposed of first;

Second, if there are no committee amendments, the chair will state that a motion to strike title IV of H.R. 1 is in order;

Third, when such an amendment is offered, the provisions of clause 5 of rule XXIII come into play and the Member offering the amendment to strike title IV will be recognized for 5 minutes. At the end of 5 minutes, the first Member to gain recognition in opposition to the amendment may speak for 5 minutes. No member may gain time by the usual devise of "striking the last word"—because no amendment may be offered to the motion to strike.

The vote will then occur on the motion to strike, which I assume will be recorded tellers. This procedure has been used once before when H.R. 4690, the bill to increase the debt ceiling, was considered on March 3, 1971. The Chair ruled in accordance with the above explanation, as set forth on page H1172 of the CONGRESSIONAL RECORD. I would appreciate it if those present would explain the procedure to those who are interested and not present, so that no one will later feel that they were unfairly cut off from debate. The Members must present their arguments for their position as to striking title IV or not, during the 8 hours of general debate.

Since the time when the rule was granted, I have received a letter dated June 18, signed by 16 Members, stating that they intended to vote down the previous question on the rule which, if accomplished, will permit an amendment to be offered to the rule which will make the provisions of H.R. 9156 in order as a substitute for title IV of H.R. 1. Amendments could also be offered to the substitute.

I wish that someone had mentioned this to me during the week or 10 days that efforts were being made to make title IV subject to a motion to strike. No one discussed it with me, and accordingly, in order to obtain the rule which is now being presented, I agreed to support the same. Accordingly, I will keep my word, and vote for the previous question. I am not, however, suggesting to any other Member how he or she should vote.

H.R. 1 may well be one of the most far-reaching, all-encompassing legislative proposals that this 92d Congress will consider. Articles I and II cover changes in the social security programs and the medicaid and medicare programs. Titles III, IV, and V deal with welfare assistance programs including both the adult categories fund—disabled and blind—as well as the complete restructuring of the present aid to dependent children program.

The purpose of title I of the bill is to amend existing law in a number of instances, all aimed at liberalizing the benefits provided to all classes of beneficiaries under the Social Security Act.

An across-the-board increase of 5 percent in cash benefits is provided for all beneficiaries, payable beginning in June of 1972. Approximately 27,400,000 persons will receive increased cash payments at a cost of $2,100 million in the first year. This will increase the minimum cash benefit for an individual from $70.40 per month to $74, and the average individual's monthly benefit will increase from $133 to $141 a month, while the increase for couples is estimated to increase from $222 to $234.

The bill also provides for an automatic benefit increase in any year that the Consumer Price Index increases by at least 3 percent provided that no legislation to increase benefits has been enacted or has become effective in that same year. If the automatic cash benefit increase provisions are activated, the tax wage base and tax rate will also be automatically increased to meet the added costs, and the amount of earnings exempted under the retirement test would also be increased.

H.R. 1 liberalizes the amount of cash earnings a retired beneficiary may earn in a year without suffering any reduction in his benefits. The present maximum of $1,680 per year is increased to $2,000. When earnings above that figure are received, each $2 in earnings will result in a $1 reduction of benefits—but not a dollar-for-dollar reduction as is possible under current law.

Title II of the bill deals with two existing programs—medicare and medicaid. It liberalizes eligibility requirements to permit some 1,500,000 additional persons to qualify for medical benefits, and in a number of instances, seeks to tighten up administration of the programs and impose modest and limited cost-sharing on program beneficiaries to insure continued fiscal soundness.

Under the bill, medicare coverage will be substantially broadened to include all persons entitled to disability benefits under both the social security and railroad retirement programs, after they have been disabled for a period of 2 years. This additional coverage beginning in July 1972, will provide medicare benefits for an estimated 1,500,000 disabled persons at a cost of $1,850,000,000 in the first year.

Also made eligible for medical benefits for the first time are those persons over 65 who are not eligible to enroll in medicare. They may now enroll in the supplemental medical insurance program at the same cost paid by medicare beneficiaries who choose this additional coverage—$31 per month. This cost per month will be increased in the future only in the event of a general increase in cash benefits for the enrolleees.

The bill seeks to discourage prolonged stays in medical institutions by reducing Federal benefits after an initial period to insure that those who can be discharged will be, so that those in greater need can be admitted. Under the bill, Federal matching funds to the several States for payment of institutional care will be reduced: First, by one-third after the first 60 days of care in a TB or general hospital; second, by one-third after the first 60 days in a skilled nursing home; and third, by one-third after 90 days in a mental hospital, which may be extended for an additional 30 days if the State shows that the patient will benefit therapeutically from the additional period.

Title III of the bill deals with assistance to the aged, the blind and the disabled, the adult categories as they are known. Under present law these are administered by the several States, each of which may set its own benefit level and its own eligibility standards. Currently, there are 54 State programs—and the Federal Government is assisting in the funding of each. Benefit levels, for a couple with no income, range from a low of $97 per month up to $350. The adult assistance categories—characterized as they are by relative stability in numbers of beneficiaries—are prime targets for reform aiming at national standards of eligibility and efficient administration to insure maximum benefit from the funding available.

Thus, the bill, effective July 1, 1972, repeals the three existing programs of assistance to the aged, blind, and disabled and replaces them with one new program, federally administered and financed. National standards of eligibility, benefit levels, and permissible income levels are established by the bill. It is estimated that in the first year of the new program 6,200,000 aged, blind, and disabled persons will be eligible for benefits. By 1975, when the ultimate benefit level is reached, it is estimated that 7,100,000 beneficiaries would be eligible to receive $5,400,000,000 in benefits under the new Federal assistance program.

Persons eligible for such assistance are those over 65, those who are blind or who are disabled. Definitions of "blind" and "disabled" are those currently used in the Social Security Act. Disabled children under the age of 21 would also be eligible to receive benefits.

Title IV deals with the most serious problem confronting our current welfare assistance program—Aid to Fami-

lies with Dependent Children—AFDC. To say that the system is a disaster which is growing worse each year is to say only what is obvious. The present system penalizes very low wage earners, driving them off the payroll and onto the relief roll, where it encourages them to remain. It tends to break up families and to produce—as it already has—whole generations of citizens who have never known any other life and are devoid of any drive toward self-advancement. To add to the problem, the eligibility requirements and benefit levels are set by the States. Benefits for a family of four range from a low of $97 per month to over $300. There is, thus, a built-in gravatation to the high-benefit States. The numbers on the welfare rolls are increasing alarmingly.

During the period 1960–1969 the AFDC rolls increased by 4,400,000 persons, a 147-percent increase; the total cost of the program nationally increased from about $1 billion to about $3,500,000,000. It was during 1970, however, that the situation became completely out of hand. Expenditures in January 1971, reached $482,423,000—for 1 month—a 40.5-percent increase over January 1970. The number of AFDC recipients rose from 7,501,000 in January 1970 to 9,773,000 in January 1971, an increase of 2,272,000 in 1 year.

Families with at least one member who is employable will be enrolled in the Opportunities for Families program, administered by the Department of Labor. Those families in which there is no employable member, as that term is defined, will be enrolled in the family assistance plan, administered by the Department of Health Education, and Welfare. It is estimated that some 4,670,000 families, totalling 19,400,000 persons, will be eligible for assistance under these two new programs. Many of those are now employed at very low wages rather than actually unemployed. These will be eligible only for partial support assistance.

Families enrolled in both programs will be eligible for Federal benefit payments based upon criteria set forth in H.R. 1—criteria which is identical for both programs. Benefits would be payable at a rate of $800 per year for the first two members, $400 for the next three, $300 for the next two, and $200 for all others. This will provide a payment of $2,400 per year to a family of four with no income. The maximum Federal payment, for a family of eight or more persons with no income, would be $3,600. Benefits would be reduced as a family's income increases; when a family of four earns $4,320 per year, it would no longer qualify for Federal benefit payments.

The Federal cost under the current law is approximately $9,400,000,000. H.R. 1 would increase this figure, in the first year, to an estimated $14,800,000,000—or an increase in Federal costs of $5,400,000,000.

Mr. Speaker, for the information of the Members from California, I wish to state that as of now, it has been impossible to determine the definite impact that H.R. 1 may have on California. As soon as H.R. 1 and the report were available, copies were sent to Governor Reagan. However, time has not been sufficient to permit a thorough analysis as to what H.R. 1 will do so far as California is concerned.

Under date of June 11, Governor Reagan advised me that an analysis of H.R. 1 was very much more difficult than they thought that it would be. Probably due to the fact that HEW is apparently basing their California impact assessment on some assumptions we cannot accept. Further, that perhaps if the bill cannot be held up until all States have had a chance to analyze it fully, then title IV should be removed for separate consideration.

Last Friday, June 18, I advised the Governor that this bill would be considered today and requested information as to its effect on California. Later that afternoon I was advised as follows:

I am very sorry to learn that your efforts to get the states enough time to project the impact of H.R. 1 on their welfare programs were not successful.

As of now, it appears that H.R. 1 contains so many options and undefined secretarial discretionary powers that a hard fiscal analysis and human impact definition will take considerably more time than we thought it would.

Therefore, I am notifying our delegation and others who have inquired that I support any attempt to strike Title IV from H.R. 1 so that it can be considered separately on its own merits, hopefully after sufficient time is allowed for all the states to form their opinions and inform their delegations.

All we know now for sure is that, under any combination of options, net cost savings to California under the "hold harmless" clause will in no way equal or exceed the total impact on California's federal taxpayers resulting from a program cost increase of $5 billion. Californians pay in excess of 10 percent of the cost of any federal program. Thus, H.R. 1 has an immediate built-in cost to them of over $500 million.

Mr. Speaker, I shall continue to support the basic merits of any legislation designed to assist our senior citizens, the disabled, the blind, the infirm. On the other hand, it is my intention to do everything within my power to bring about reform of the welfare program—to assure that every able-bodied individual provide for himself and his dependents through job opportunities and work-training where needed. The present system must be restructured on a more equitable basis for all citizens. I do not believe that the States have had sufficient time to study the effects of title IV of H.R. 1 on them. If it will help, I am certain that they will support it. But they need more time because it is so extensive. It should be considered separately. Accordingly, I intend to vote to strike title IV.

Mr. Speaker, I reserve the balance of my time.

Mr. YOUNG of Texas. Mr. Speaker, I yield 10 minutes to the distinguished gentleman, the chairman of the Committee on Rules, the gentleman from Mississippi (Mr. COLMER).

(Mr. COLMER asked and was given permission to revise and extend his remarks.)

Mr. COLMER. Mr. Speaker, I approach this bill with the greatest seriousness and the most misgivings I think of any bill that has come before this body in my time in this House. I think it is more serious than even the occasion when I was called upon to cast my vote to declare war. I think it is the most momentous thing that we will have voted on during our tenure of office here.

Mr. Speaker, why do I say that? Because, in my judgment, Mr. Speaker, we have reached the forks of the road. We either are going to continue down the path that has made this country the envy of the world under the free enterprise system, under the individual initiative system, under the type of government that our forefathers set up for us, or travel the other fork of the road of political expediency.

Mr. Speaker, I am not going to discuss the rule at this point in debate because I think it has been amply covered. But I want to get back to the importance of the thing that we are about to do here on the welfare question. Now, why do I say that? Because in this bill you have, broadly speaking—and there are other titles—but, broadly speaking, two divisions of legislation.

One is social security—and I shall not discuss that because the time would not permit it even if I were knowledgeable enough to discuss it, but I do know, and I am knowledgeable enough, in my own opinion, to know that if we do not follow that road that we started out on then we are going to take the other one. Some people deny it, but I think every one must agree that it is a guaranteed annual income.

This year under this bill there is $2,400 guaranteed to a family of four. I say to the gentleman from Illinois (Mr. DERWINSKI), when that bill gets over to the other body, the more liberal body, it will come out at $3,000 or $3,500. Maybe under the able leadership of the distinguished gentleman from Arkansas, my good friend, a man for whom I have great admiration and personal affection, Mr. MILLS, he may be able to get some kind of a compromise, but that will be toward the end of the year. Next year we have not only a congressional election, but a Presidential election, and, oh, I can see the boys out on the stump now. It is going to be a contest between the candidates for Congress, and I am not sure it is not going to be a contest between the presidential candidates, as to who can promise more to the people. Who is willing to make it $5,000? Who is willing to make it $10,000? This thing can only go in one direction, and that is go up. I honestly believe that in the next decade it well might be $10,000.

Did you ever see a bill enacted by the Congress passing out gratuities to the people that stopped at what we started with? It goes up and up and up. The other major provision of this bill, social security, is a good example. It too is going far beyond its original concept.

Yes, I can see, once we embark upon this thing, I can see you when you are speaking at that picnic, or in that union chamber, or wherever it is, and this constituent comes up to you and he says, "Well, you gave us a little guaranteed income here of $3,000," or $3,500, whatever it winds up to be. "Why, Mr. Congressman, you are drawing $42,500 a year, and yet you are unwilling to let us have $5,000," or $10,000. How are you going to

answer that? You have been through it with other legislation. I say it is a dangerous road to start out on because you can never, never stop it.

Of course it is fundamental. It is hackneyed to say that those of us who are old fashioned enough believe that the people have got to support the Government, the Government cannot support the people. Oh, that is so trite it should not be necessary to mention it. But that is the road that you are going to embark upon, the road whereby the Government begins to support the people.

History tells us that the Roman Senators in order to incur favor with the electorate, with the people at home, started out giving them free baths. But we passed that a long time ago. We are giving them free breakfasts and free lunches, and so many other benefits at the expense of the taxpayers.

But now we are going to guarantee them everything—a living wage, a living existence. If I had any assurance, if my good friend, the gentleman from Arkansas, could just convince me as he told me when he was up before my committee that he was going to convince me—if he could just convince me that we would stop at $2,400—maybe so. But he knows and I know that we are not going to stop there.

Now, my friend, those who support this philosophy of government are going to tell you that the present welfare system is bad—that it is a rotten mess. I agree with that right now. It has gotten out of hand. But are we going to start off on a different road, as a panacea for that—where we can never stop?

Yes, once we start on that, there is turning back. This is the main thrust of my argument.

I am sure that this distinguished Committee on Ways and Means can come up with a different and a better answer to the present welfare system. But if they cannot, as bad as it is, I would rather have that than have what we are asked to take in this bill.

The SPEAKER. The time of the gentleman from Mississippi has expired.

Mr. YOUNG of Texas. Mr. Speaker, I yield 3 additional minutes to the gentleman.

Mr. COLMER. I thank my colleague.

I just want to discuss the rule for a moment. This rule simply provides that you will have one motion, and one motion alone. One amendment is all that can be offered unless the Committee on Ways and Means sees fit to offer a committee amendment. I doubt that that will be an amendment of any substance. And if they do offer one, it is usually a kind of housekeeping proposition—a technical amendment.

Mr. Speaker, I want to compliment my committee and on the modified rule it reported because it has historically been true, ever since I have been in the Congress, that the bills that come out of the Ways and Means Committee are under a closed rule. My views on that are, of course, well known to those who might be interested—I do not like closed rules. But we worked out here the best rule we thought we were capable of getting, and having sustained on this floor, and that was to give the Members of this House an opportunity to say whether they wanted to embark upon this dangerous road or whether they wanted to strike that provision out of the bill.

I think we did a pretty good job in that we at least got the camel's nose under the closed rule tent, and you do have an opportunity to vote as you see fit on the guaranteed income provision. You can take it or leave it.

This time when you go back home you do not have to tell your constituents that you were gagged and you could not vote. For here you do have the option to vote upon this one question.

Incidentally, I am advised by the Parliamentarian that under the rules of the House we will have only one speech of 5 minutes for the amendment and 5 minutes against it, so that those of you who want to discuss this phase of the legislation will have to get your time during the 8 hours granted to the Ways and Means Committee for general debate.

Mr. Speaker, let me reiterate, if I may: I am not the wisest man in this Congress. No one knows that better than I do. But this is most serious, and I trust that the House will so regard it.

The distinguished and able gentleman from Oregon, a member of the Ways and Means Committee, will at the appropriate time offer the motion to strike this dangerous guaranteed income title, title IV from the bill.

Mr. ANDREWS of Alabama. Mr. Speaker, will the gentleman yield?

Mr. COLMER. I yield to my friend, the gentleman from Alabama.

Mr. ANDREWS of Alabama. I do not know whether this point should be considered or not, but my information is that the first year's cost of this new so-called guaranteed income will add $5 billion to the cost of welfare. The gentleman in the well knows the Nation owes about $400 billion. The Treasury statement of the 15th of June of this year shows that in the first 11½ months of this year we were running a deficit at $30 billion. There will be a bill on the floor of the House on Friday from our Appropriations Committee with an appropriation for the Treasury Department, and in that bill is a line item of $21.150 billion just for the interest on the national debt.

I think those frightening figures should be taken into consideration when you consider adding another $5 billion to the welfare program.

Mr. COLMER. I thank my friend for his contribution.

Finally, Mr. Speaker, permit me to urge the Members of this House to support the Ullman amendment. Surely good judgment, a sense of fiscal responsibility, love of country, and the desire to perpetuate our system of free enterprise and the fruits of individual effort should and will outweigh political expediency. In my considered opinion if this guaranteed income provision is written into law we will have taken the final step toward a socialistic state.

Mr. SMITH of California. Mr. Speaker, I yield 5 minutes to the gentleman from Illinois (Mr. DERWINSKI)

(Mr. DERWINSKI asked and was given permission to revise and extend his remarks.)

Mr. DERWINSKI. Mr. Speaker, the distinguished chairman of the Rules Committee devoted most of his commentary to the bill before us, but I would rather discuss the rule. First, may I say that any criticism I might make of the rule is not intended to reflect on the problems the committee had, nor do I wish to reflect on the usual astuteness in handling legislative matters that the gentleman from Arkansas, the chairman of the Ways and Means Committee, generally displays. I wish to remind the Members that a little over a week ago we faced an interesting vote on the sugar bill rule, which for reasons completely different than the issue before us, it was deemed necessary to protect that bill by a closed rule.

A little over a year ago I was involved in the debate and amendments on the House floor on postal reform. It was deemed at that time that an open rule should be permitted. The Members had an opportunity to aid or stymie the cause of postal reform. The argument was never made, as I think it well could have been made, that reform of the Postal Service should not be entrusted to the 410 Members who did not serve on the proper committee.

We are told that unless we are members of the Ways and Means Committee we just do not understand the welfare problem. This might be so in relation to some of the technical bills that the committee reports, but it is not so in relation to welfare, since most of us, having been businessmen, State legislators, or lawyers before reaching the Congress, are familiar with the welfare problems at least in our home communities and States. To claim that there is a difference when you are a Member on the Ways and Means Committee looking at welfare reform in contrast to the viewpoint of a normal Member does not hold water, I would think, in this case at least, modifying the closed rule would be in order.

I do not propose that we have a completely open rule. I do propose that we substantially modify the rule as it would apply to title IV so that meaningful alternatives to that welfare section could be provided.

First, in chatting with a few of the Members, I find that they have all been receiving letters and telegrams from their mayors and Governors taking quite a variety of approaches for or against this bill.

Some of the Governors are saying, "Please vote through this reform bill; it will save my State budget." Other Governors are writing in, "Just a minute; I am not sure what you are doing to it; hold on a minute."

The same confusion applies with respect to letters from mayors.

Nobody really knows what we are doing with this legislation, and least of all the people spending the money should it be passed.

We also have a time problem with the other body. Driving in this morning I listened with great interest to a news report which stated the Senate would not consider this measure until early in 1972. So there really is not any reason this afternoon, as I see it, to "gag" the Members after 8 hours of debate. This sounds

rather liberal, but what is 8 hours of discussion when no one is allowed to offer amendments after the completed debate? Under the rule as provided, Members have been told by the gentleman from California (Mr. SMITH) and by the gentleman from Mississippi (Mr. COLMER) there will be actually 10 minutes of debate on the key vote, on the only vote allowed, which will be to strike title IV.

This is not debate. The 8 hours will be an exchange of press releases between Members. Any questions, if they are not answered, will not be reflected in any meaningful vote.

I would suggest that the logical thing to do is to vote down the previous question, to open up title IV to proper amendments, and to let the House in the truest sense of a legislative body try to work its will on this program, which is vital to every one of us. Every one of us is as knowledgeable as our beloved colleagues on the Ways and Means Committee. I should certainly think that above all else they would appreciate the help of 410 other Members representing citizens, welfare recipients, taxpayers, in our districts.

I certainly hope that at the proper time we shall vote down the previous question.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. DERWINSKI. I yield to the gentleman from Iowa.

Mr. GROSS. Of course, they are bound to take more time on this bill over in the other body because there are more presidential candidates over there.

Mr. DERWINSKI. I was not aware the gentleman from Iowa had entered the list.

Mr. GROSS. Oh, no.

Mr. DERWINSKI. That was not the gentleman's point?

Mr. GROSS. I am just pointing out why more time will be taken over there on the bill. It will be delayed. The gentleman says it probably will not be considered until 1972 over there, which gives them time to prepare their campaign speeches.

Mr. DERWINSKI. The point I was attempting to make was we need not act with haste this afternoon and tomorrow, We could easily work on this bill all week, and take all the time that a revised rule would give us for proper admendments.

Mr. SMITH of California. Mr. Speaker, I yield 5 minutes to the gentleman from Illinois (Mr. ANDERSON).

(Mr. ANDERSON of Illinois asked and was given permission to revise and extend his remarks.)

Mr. ANDERSON of Illinois. Mr. Speaker, I find myself in a somewhat painful position, being obliged to disagree with my good friend the gentleman from Illinois (Mr. DERWINSKI) because I come to the well this afternoon to urge the Members of this House to vote for the previous question and to adopt the rule.

I say this even though I sympathize very deeply with the frustration which the gentleman and many Members of this body feel.

Indeed, I take this time primarily to explain why it is I have arrived at this position today, even though in the Rules Committee I did offer a substitute, as I believe many Members know, to the motion which was offered to permit merely a vote on title IV, the family assistance program portion of the bill.

It was my wish and my desire that H.R. 1 be an instrument of fiscal relief for our States in fiscal year 1972. It seemed to me as the bill emerged from the committee it was not really going to achieve that desirable purpose.

I took exception, for one thing, to the use of calendar year 1971 as the base year for the hold harmless clause as it refers to the States. I would have preferred, as I believe the chairman of the committee knows, as I told when he appeared before the Committee on Rules, that they use the fiscal year 1971 or the calendar year 1970, which would have meant something rather substantial in the way of fiscal relief to the States.

It seems to me that in the provisions of the bill as they relate to medicaid that those things might well have been deferred in view of the fact that this committee is going to undertake a review of the whole medicare and medicaid problem. But by limiting reimbursement to the States to 105 percent when it comes to skilled nursing home care and intermediate care again it will cost my particular State some money, because those costs are rising more than 5 percent a year, at the rate of something like 13 to 15 percent a year.

So I offered a substitute in the Committee on Rules that would open up partially titles II, IV, and V. However, I cannot go along with those this afternoon who are suggesting that we ought to vote down the previous question and adopt a substitute rule which would open up completely title IV.

And now I wish to reply to my very dear and distinguished friend, and there is no man in this House for whom I feel greater affection and respect than the distinguished chairman of my Committee on Rules, the gentleman from Mississippi (Mr. COLMER). He referred to the path that has led our country to the point where it is the envy of the world.

Much as I agree with that, I am constrained to call your attention to the fact that that same pathway has led us to the point where in our morning paper we read that welfare rolls literally doubled since the President made his initial proposal for welfare reform in August of 1969.

Mr. Speaker, as I studied the hearings before the Committee on Ways and Means and was made aware of the 36-percent increase in costs in 1970 and the 32-percent increase in caseloads I was appalled. It seems to me that when the gentleman from Alabama (Mr. ANDREWS) warns this House of an immediate increase in costs to the Federal Government if we adopt this welfare reform program, he is overlooking one very important thing; namely, that increase in costs is taking place right now and will continue to occur unless we do the kind of thing that the Committee on Rules is asking us to do in title IV of this bill.

The tragic thing to me was to read that we have literally witnessed a tripling of the number of children living in families without fathers in our country in just the last few years. This is what is truly destructive, it seems to me, of our national morale and of the fabric of our country. That is what, more than anything else, dictates to me the necessity for legislating the kind of reform the committee is asking us for in title IV of this bill.

So, despite some of the changes we might want to make and that, very frankly, I hope are going to be made when this bill reaches the other body, I cannot believe that there is the kind—and now I speak to the gentleman from Illinois (Mr. DERWINSKI)—I cannot believe that there is the kind of consensus in this body which would favor the adoption of the Ullman substitute or the adoption of the Curtis bill, so-called, as a substitute to the committee bill. It seems to me that what you would have happen on the floor of the House tomorrow or the next day would be a voting down of these substitutes and possibly a voting down of the whole family assistance program with consequences that we would not like to see.

So, Mr. Speaker, I would urge the Members of this House this afternoon to consider very carefully the position that they would put themselves in by voting down the previous question. I would ask them to vote for the previous question and adopt the rule so that we can get on with the business of reforming the welfare program of this country.

Mr. RANDALL. Mr. Speaker, as we start down the road to consider H.R. 1, once again we run head on into the same adamant and determined stand by the House Committee on Ways and Means that somehow they must always enjoy the privilege of a closed rule.

As I have consistently done in the past, I intend once again to oppose the closed rule today. Moreover, if the opportunity is presented, I intend to vote against the previous question, not simply to be negative or dilatory, but because if the previous question is not ordered, it will then be in order to amend the rule. In any event, a vote against the previous question will give us all an opportunity to be on record as opposing the gag rule even though the previous question should be ordered, and a closed rule later adopted on a voice vote.

As always, the Committee on Ways and Means seeks to justify their request for a closed rule because they contend the right to amend would open up every provision of the Internal Revenue Code. Surely they are not serious because as long as we have a Parliamentarian to rule upon whether or not a provision is germane, repeated points of order could be raised by the committee to amendments which are either frivolous in nature or not germane to the provisions of H.R. 1.

Another reason cited in favor of the closed rule which we hear so frequently in conversation with members of the Ways and Means Committee is the answer they give by way of a rhetorical question, "You would not want to be working on this bill until the 4th of July, would you?" This kind of an answer convinces me that when the chairman and the members of

the Committee on Ways and Means cannot find a logical reason to justify a closed rule, they are willing to use an emotional reason.

Maybe it would be a good thing if we did devote a week or more to H.R. 1. Perhaps spend 2 or 3 days in a row, and then allow for some time to digest the debate. After that we could start over again for another 2 or 3 days. Such a suggestion is not unreasonable if you take the time to look at H.R. 1. If you do find it contains 687 pages, and the accompanying report contains 386 pages.

There is so much contained in H.R. 1 that a Member of the House who is not a member of the Ways and Means Committee should be entitled to a little more than 8 hours to learn as much as he can about such a costly and far-reaching measure. One, not on the Committee on Ways and Means should have the opportunity to question members of the committee in open debate on the floor of the House. Then he should certainly be accorded the right of amendment.

Mr. Speaker, not long ago there seemed to be rather general rejoicing about H.R. 1 that the Rules Committee had passed out what was described as a "modified closed rule." For awhile the reaction was that at long last the Rules Committee had relented and had really denied the request for a closed rule. But even the wordsmiths, if they are going to be fair, know that when they coined the words a "modified closed rule" were engaged in a kind of deception. The word "modified" should be stricken and simply call it a closed rule. The reason that this is true is that they have given us but one little narrow choice and that is to strike out title IV.

The announced objects of H.R. 1 was to reform the welfare pattern in the United States. But once again it is the same old story that the membership of the Ways and Means Committee know best, and the rest of us could not possibly be possessed of any meritorious or worthwhile contribution by way of amendment.

The best way to legislate would be to permit all members to offer their contributions to improve legislation before the Congress. Only through such a procedure could each member fully represent his constituents. Today we face once again the old argument that no bill involving revenues can be improved on the floor of the House. That argument can successfully be demolished by a procedure we follow in another very sensitive area of legislation, that of appropriations bills which are always considered under open rules to permit all members to voice their opinions and to offer meritorious amendments.

If this gag rule is adopted today the membership of this House must accept or reject the will of 25 members of the Ways and Means Committee.

Assume the closed rule is forced upon us and H.R. 1 is passed. It will then be sent to the other body where all 100 Members will have a voice in the future course of H.R. 1.

Last year on the welfare reform bill the other body adopted so many amendments it was impossible for the conference committee to iron out the differences within the time limitation of the 91st Congress.

Yes, the time has come for the membership of this body to stand up for itself. We must reject this closed or gag rule. Welfare reform is needed. It can be accomplished if only the opportunity is available to make the corrective amendments which are required to make H.R. 1 an acceptable piece of legislation.

Mr. YOUNG of Texas. Mr. Chairman, I move the previous question in the resolution.

The SPEAKER. The question is on ordering the previous question.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. DERWINSKI. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 200, nays 172, answered "present" 2, not voting 59, as follows:

[Roll No. 152]

YEAS—200

Abbitt	Fascell	Mills, Ark.
Abernethy	Findley	Minish
Adams	Fish	Monagan
Alexander	Fisher	Montgomery
Anderson, Ill.	Flood	Morgan
Andrews, Ala.	Flowers	Murphy, Ill.
Andrews, N. Dak.	Foley	Murphy, N.Y.
Annunzio	Forsythe	Natcher
Belcher	Frelinghuysen	Nedzi
Bell	Frenzel	Nelsen
Bergland	Fulton, Tenn.	Obey
Betts	Galifianakis	O'Hara
Biester	Garmatz	O'Konski
Blanton	Gaydos	O'Neill
Boggs	Giaimo	Patten
Boland	Grasso	Pelly
Bolling	Gray	Pepper
Bow	Green, Oreg.	Perkins
Brademas	Griffin	Pettis
Brasco	Griffiths	Peyser
Brooks	Hagan	Pirnie
Brotzman	Hammer-schmidt	Podell
Broyhill, Va.	Hanley	Poff
Buchanan	Hansen, Idaho	Preyer, N.C.
Burke, Mass.	Hansen, Wash.	Price, Ill.
Burleson, Tex.	Hechler, W. Va.	Pryor, Ark.
Burlison, Mo.	Heckler, Mass.	Pucinski
Burton	Hicks, Mass.	Quillen
Byrne, Pa.	Hillis	Railsback
Byrnes, Wis.	Holifield	Rees
Byron	Howard	Rhodes
Cabell	Johnson, Calif.	Robison, N.Y.
Carey, N.Y.	Johnson, Pa.	Roncalio
Carney	Jones, Ala.	Rooney, N.Y.
Carter	Karth	Rooney, Pa.
Cederberg	Kazen	Rostenkowski
Celler	Kee	Roush
Chamberlain	Keith	Ruppe
Chappell	Kluczynski	Sandman
Clark	Kuykendall	Schneebeli
Collier	Kyros	Schwengel
Colmer	Landrum	Shipley
Conable	Link	Sisk
Conte	Lloyd	Skubitz
Corman	Lujan	Slack
Cotter	McClory	Smith, Calif.
Daniel, Va.	McCormack	Smith, N.Y.
Daniels, N.J.	McDade	Springer
Davis, Ga.	McFall	Stafford
Davis, S.C.	McKay	Staggers
de la Garza	Macdonald, Mass.	Stanton, J. William
Delaney	Mailliard	Stanton, James V.
Dellenback	Mann	Steed
Dingell	Martin	Steele
Dorn	Matsunaga	Steiger, Wis.
Dulski	Mayne	Stephens
Dwyer	Meeds	Stubblefield
Eckhardt	Melcher	Sullivan
Edwards, Calif.	Mikva	Teague, Calif.
Eilberg	Miller, Calif.	Thompson, N.J.
Evins, Tenn.	Minshall	Thomson, Wis.
Fallon	Mitchell	Whitten
Farbstein	Mizell	Widnall
Farnsley	Moorhead	Wiggins
Farnum	Mosher	Williams
Fascell	Myers	Wilson, Bob
Findley	Nichols	Wright
Fish	Nix	Wyatt
Fisher	Passman	Yates
Flood	Patman	Yatron
Flowers	Patten	Young, Tex.
Foley	Pelly	Zablocki
Forsythe	Pepper	Zwach
Frelinghuysen	Perkins	
Frenzel	Pettis	
Fulton, Tenn.	Peyser	
Galifianakis	Pirnie	
Garmatz	Podell	
Gaydos	Poff	
Giaimo	Preyer, N.C.	
Grasso	Price, Ill.	
Gray	Pryor, Ark.	
Green, Oreg.	Pucinski	
Griffin	Quillen	
Griffiths	Railsback	
Hagan	Rees	
Hammer-schmidt	Rhodes	
Hanley	Robison, N.Y.	
Hansen, Idaho	Roncalio	
Hansen, Wash.	Rooney, N.Y.	
Hechler, W. Va.	Rooney, Pa.	
Heckler, Mass.	Rostenkowski	
Hicks, Mass.	Roush	
Hillis	Ruppe	
Holifield	Sandman	
Howard	Schneebeli	
Johnson, Calif.	Schwengel	
Johnson, Pa.	Shipley	
Jones, Ala.	Sisk	
Karth	Skubitz	
Kazen	Slack	
Kee	Smith, Calif.	
Keith	Smith, N.Y.	
Kluczynski	Springer	
Kuykendall	Stafford	
Kyros	Staggers	
Landrum	Stanton, J. William	
Link	Stanton, James V.	
Lloyd	Steed	
Lujan	Steele	
McClory	Steiger, Wis.	
McCormack	Stephens	
McDade	Stubblefield	
McFall	Sullivan	
McKay	Teague, Calif.	
Macdonald, Mass.	Thompson, N.J.	
Mailliard	Thomson, Wis.	
Mann	Whitten	
Martin	Widnall	
Matsunaga	Wiggins	
Mayne	Williams	
Meeds	Wilson, Bob	
Melcher	Wright	
Mikva	Wyatt	
Miller, Calif.	Yates	
Minshall	Yatron	
Mitchell	Young, Tex.	
Mizell	Zablocki	
Moorhead	Zwach	
Mosher		
Myers		
Nichols		
Nix		
Passman		
Patman		
Patten		
Pelly		
Pepper		
Perkins		
Pettis		
Peyser		
Pirnie		
Podell		
Poff		
Preyer, N.C.		
Price, Ill.		
Pryor, Ark.		
Pucinski		
Quillen		
Railsback		
Rees		
Rhodes		
Robison, N.Y.		
Roncalio		
Rooney, N.Y.		
Rooney, Pa.		
Rostenkowski		
Roush		
Ruppe		
Sandman		
Schneebeli		
Schwengel		
Shipley		
Sisk		
Skubitz		
Slack		
Smith, Calif.		
Smith, N.Y.		
Springer		
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Stanton, James V.		
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Thompson, N.J.		
Thomson, Wis.		
Thone		
Udall		
Vanik		
Veysey		
Ware		
Watts		
Whitten		
Widnall		
Wiggins		
Williams		
Wilson, Bob		
Wright		
Wyatt		
Yates		
Yatron		
Young, Tex.		
Zablocki		
Zwach		

NAYS—172

Abourezk	Haley	Pickle
Abzug	Hall	Pike
Addabbo	Hamilton	Poage
Anderson, Calif.	Harrington	Powell
Archer	Harsha	Price, Tex.
Ashley	Harvey	Quie
Aspin	Hastings	Randall
Aspinall	Hathaway	Rangel
Baker	Hawkins	Rarick
Baring	Hays	Reid, Ill.
Begich	Helstoski	Reid, N.Y.
Bennett	Henderson	Reuss
Bevill	Hicks, Wash.	Roberts
Blackburn	Hogan	Robinson, Va.
Brinkley	Horton	Roe
Broomfield	Hosmer	Rogers
Brown, Mich.	Hull	Rosenthal
Burke, Fla.	Hungate	Rousselot
Caffery	Hutchinson	Roybal
Camp	Ichord	Ruth
Casey, Tex.	Jacobs	Ryan
Chisholm	Jarman	Sarbanes
Clancy	Jonas	Saylor
Clausen, Don H.	Jones, N.C.	Scherle
Clawson, Del	Kastenmeier	Scheuer
Clay	Keating	Schmitz
Cleveland	Kemp	Scott
Collins, Ill.	King	Sebelius
Collins, Tex.	Koch	Shoup
Conyers	Kyl	Shriver
Coughlin	Landgrebe	Sikes
Crane	Latta	Smith, Iowa
Culver	Leggett	Snyder
Dellums	Lennon	Spence
Denholm	Long, Md.	Steiger, Ariz.
Devine	McCloskey	Stokes
Diggs	McClure	Stuckey
Drinan	McCollister	Symington
Duncan	McDonald, Mich.	Talcott
du Pont	McKevitt	Teague, Tex.
Edwards, Ala.	McKinney	Terry
Esch	McMillan	Thompson, Ga.
Evans, Colo.	Madden	Tiernan
Flynt	Mahon	Ullman
Ford, William D.	Mazzoli	Van Deerlin
Fountain	Metcalfe	Vander Jagt
Fraser	Michel	Waggonner
Frey	Miller, Ohio	Waldie
Fulton, Pa.	Mink	Wampler
Goldwater	Minshall	Whalen
Gonzalez	Mitchell	White
Goodling	Mizell	Whitehurst
Green, Pa.	Moorhead	Winn
Gross	Mosher	Wolff
Gubser	Myers	Wylie
Gude	Nichols	Wyman
	Nix	Young, Fla.
	Passman	Zion

ANSWERED "PRESENT"—2

Derwinski	Morse

NOT VOTING—59

Anderson, Tenn.	Edmondson	Mills, Md.
Arends	Edwards, La.	Mollohan
Ashbrook	Erlenborn	Moss
Badillo	Eshleman	Patman
Barrett	Ford, Gerald R.	Purcell
Biaggi	Fuqua	Riegle
Bingham	Gallagher	Rodino
Blatnik	Gettys	Roy
Bray	Gibbons	Runnels
Brown, Ohio	Grover	St Germain
Broyhill, N.C.	Halpern	Satterfield
Danielson	Hanna	Selberling
Davis, Wis.	Hébert	Stratton
Dennis	Hunt	Taylor
Dent	Jones, Tenn.	Vigorito
Dickinson	Lent	Whalley
Donohue	Long, La.	Wilson, Charles H.
Dow	McCulloch	Wydler
Dowdy	McEwen	
Downing	Mathias, Calif.	
	Mathis, Ga.	

So the previous question was ordered.

The Clerk announced the following pairs:

On this vote:

Mr. Rodino for, with Mr. Moss against.

Mr. Satterfield for, with Mr. St Germain against.

Mr. Gerald R. Ford for, with Mr. Morse against.
Mr. Arends for, with Mr. Derwinski against.
Mr. Edmondson for, with Mr. Taylor against.
Mr. Erlenborn for, with Mr. Hunt against.
Mr. Barrett for, with Mr. Riegle against.
Mr. Donohue for, with Mr. Ashbrook against.
Mr. Anderson of Tennessee for, with Mr. Dickinson against.
Mr. Brown of Ohio for, with Mr. Hébert against.
Mr. Stratton for, with Mr. Bingham against.
Mr. Charles H. Wilson for, with Mr. Hanna against.
Mr. Davis of Wisconsin for, with Mr. Badillo against.

Until further notice:
Mr. Blatnik with Mr. Bray.
Mr. Biaggi with Mr. Grover.
Mr. Jones of Tennessee with Mr. Mathias of California.
Mr. Vigorito with Mr. Lent.
Mr. Danielson with Mr. Eshleman.
Mr. Fuqua with Mr. Broyhill of North Carolina.
Mr. Gettys with Mr. Dennis.
Mr. Purcell with Mr. Whalley.
Mr. Dent with Mr. Halpern.
Mr. Downing with Mr. McEwen.
Mr. Gallagher with Mr. Wydler.
Mr. Mathis of Georgia, with Mr. Mills of Maryland.
Mr. Patman with Mr. Mollohan.
Mr. Dowdy with Mr. Dow.
Mr. Gibbons with Mr. Long of Louisiana.
Mr. Runnels with Mr. Roy.

Messrs. HAYS and LONG of Maryland changed their votes from "yea" to "nay."

Mr. BELCHER changed his vote from "nay" to "yea."

Mr. MORSE. Mr. Speaker, I have a live pair with the gentleman from Michigan (Mr. GERALD R. FORD). If he had been present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

Mr. DERWINSKI. Mr. Speaker, I have a live pair with the gentleman from Illinois (Mr. ARENDS). If he had been present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. MILLS of Arkansas. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 1) to amend the Social Security Act to provide increases in benefits, improve computation methods, and raise the earnings base under the OASDI program, to make improvements in the medicare, medicaid, and maternal and child health programs with emphasis on improvements in their operating effectiveness, to authorize a family assistance plan providing basic benefits to low-income families with children with incentives for employment and training to improve the capacity for employment of members of such families, to achieve more uniform treatment of recipients under the Federal-State public assistance programs and otherwise improve such programs, and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from Arkansas.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 1, with Mr. DINGELL in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Arkansas (Mr. MILLS) will be recognized for 4 hours, and the gentleman from Wisconsin (Mr. BYRNES) will be recognized for 4 hours.

The Chair recognizes the gentleman from Arkansas (Mr. MILLS).

Mr. MILLS. Mr. Chairman, I yield myself 20 minutes.

Mr. Chairman, H.R. 1, in my opinion, is a monumental bill. Not only is it a monumental bill, but I think there is more confusion outside of the Congress, and I dare say some within the Congress, about it than any bill that I remember having anything to do with in the more than 30 years that I have been in Congress.

I have looked over the analyses of the bill which have been made by the American Conservative Union, the Chamber of Commerce, which again, in this instance, took a position before the bill had been reported, and the National Welfare Rights Organization.

When you can get the National Welfare Rights Organization and the American Conservative Union together in the same bed, there must be some confusion somewhere. One of them says that we have gone down the road of socialism in this bill and that we are providing for an annual guaranteed income. The other organization says we have not done enough.

If we went the route of the National Welfare Rights Organization and had brought a bill to the House that had a basic floor of support, for a family of four without any income, of $6,500, we would have been asking the House to approve a measure that would add not less than $70 billion to the present cost of welfare—$70 billion.

Mr. Chairman, this bill contains more amendments to the Social Security Act than any bill I can remember the Committee on Ways and Means having reported during the time I have been on the committee.

Let me just tell you, it contains 43 separate amendments to the provisions of the act relating to the social security cash benefit program; 58 amendments to medicare and medicaid. The social security amendments alone in the bill are equivalent in cost to a 19-percent across-the-board increase in benefits, according to the estimates of the staff of the Committee on Ways and Means, or 21 percent according to a former Secretary of Health, Education, and Welfare, who is quite an authority himself. One of the most illustrious of them says—and I am talking of Secretaries—who has had about as much experience in this field as anyone else—that he considers this to be the most important set of amendments to the Social Security Act, since the act was created, back in the days of President Roosevelt.

Now, important as all of these amendments are to the social security cash benefit program and to medicare and to medicaid, apparently the crux of the argument relates to title IV.

Mr. Chairman, I want to talk, therefore, about title IV, and if I may have permission, I will extend my remarks in the RECORD in explanation of amendments to these other three parts of the bill that I have mentioned.

The CHAIRMAN. Without objection, so ordered.

There was no objection.

Mr. MILLS. Mr. Chairman, I would like to explain what the major welfare problems are and the solutions to these problems, which are contained in title IV, which is, under the rule, open to one motion to strike.

The Committee on Ways and Means has been looking at this subject matter now for 2 years. You will recall that last year we reported to you a bill proposing some fundamental changes in welfare, trying to restructure it and to redirect it. You will recall that the bill passed the House by a substantial margin, but it was not reported by the Finance Committee, although it was discussed in the Senate itself. We have worked endlessly, hour after hour, again this year.

I want to report that we had in our committee this year perhaps the highest level of attendance, and interest, on the part of the committee members that I can recall on any subject matter that we have had in the Committee on Ways and Means. Every single member of the committee has made a contribution not only to the other titles of the bill but to this title which is in controversy. I feel a great pride and a great degree of honor just to have worked with the members of this very fine group and I take as much pride in the final product of our primary efforts, in title IV of H.R. 1, as I have taken in any bill that I have ever had the privilege of having my name affixed to—mark that down—there is no doubt in my mind about it.

The present program would be your preference, I assume, if you vote to strike the provisions of H.R. 1. That is the only way I can figure it out, because for the life of me, I do not know how we can come back any time soon or even within this Congress with any other approach to the restructuring and reforming of the welfare system, than that which we have in this present bill. So I must take it then, that those of you who would vote to strike title IV from the bill, feel that this present chaotic mess, as it is characterized by people in welfare as well as by people who pay the cost of it, is preferable to what we have in the bill.

Now we have looked at this present program. I cannot find much good in it to bring to your attention. I can find a whole lot of fault in it. Let me tell you just a few things that we found, as we looked into the 54 separate jurisdictions which handle that which we call the welfare program:

First. We found a lack of—and actually I should say—a large and growing lack of confidence on the part of the taxpaying public that assistance goes only

to those who need it and does not go to those who are indolent or ineligible.

Second. We found understandable bitterness from those who must depend for help upon a system that in too many cases extracts self-respect as the price of its benefits.

Third. We found hopelessness from those who have been trapped in a life on the dole. Talk about guaranteed income—guaranteed income in the form of a dole to remain in idleness, the very worst thing that anybody could conceive to do to a poor human being who is there largely because of lack of training, lack of inspiration, or lack of something else.

Fourth. We found contempt from those who all too easily obtained undeserved benefits from an antiquated, unstable, and lax welfare bureaucracy.

I had during the course of the executive sessions of the committee this year the most startling information I think I have ever had presented to me about the ease with which one can get on welfare and the difficulty that an individual had in getting off. He found himself in some financial straits after having been a candidate for Congress in the 1970 election.

Now, we can understand a person getting into some financial difficulty after running a political campaign. His wife suggested that possibly they might apply for welfare temporarily. He had no job. He had a wife and three or four children.

He went to the welfare office and the next day he was on. He advised me that nothing particularly was asked him about any assets, or much of anything else, just that he owed some money, just that he had no job, just that at that particular time he had no income.

That is the type of lax welfare bureaucracy that exists and is handling our program in some of the 54 jurisdictions—not in all, but in some.

Fifth. We found a crazy-quilt pattern of benefits and eligibility requirements that makes little sense in a highly industrialized and a highly mobile society.

Sixth. We found incentives for more and more welfare, and less and less work. But the most serious thing of all we found was that there is very definite incentive for family disintegration.

The effects of these factors can be measured by the geometrically increasing costs and caseloads in the 1960's. From the beginning of 1960 to the end of 1969 the AFDC rolls were increased by 4.4 million people, a 147-percent increase. The total cost of the program more than tripled, from $1 billion in 1960 to about $3.5 billion at the close of the decade of the 1960's.

If the situation in welfare was alarming and in a state of crisis at the beginning of January 1970, the AFDC program is now completely, totally, out of control. The January 1971 expenditures for aid to families with dependent children were—and I am talking about for the month of January 1971—were $482,423,000. That represents a 40.5-percent increase from January of 1969, just 1 year.

The number of AFDC recipients rose from 7.5 million in January 1970, to 9,773,000 in January 1971—2¼ million people on AFDC in just 1 year. That is an increase of almost one-third in just that 1 year.

There were over 10 million people on the AFDC rolls by March 1971 and the numbers of those on the rolls continued to climb in April and May.

All of you read a most disheartening report on the front page of the Washington Post this morning written by one of the very fine writers for the Los Angeles Times, Vincent J. Burke, who has made quite a study of this matter of welfare and where it possibly is taking us.

Also I call your attention, if you have not read it, to a very scholarly statement on the editorial page, also of the Washington Post, this morning by the Secretary of Health, Education, and Welfare, one of the very able leaders within the present administration. I believe it is interesting to know that not only this Secretary of Health, Education, and Welfare but also every living former Secretary of Health, Education, and Welfare supports the bill that comes from the Ways and Means Committee by a vote of 22 to 3 and that it has the unlimited and unqualified support of the President of the United States with respect to every facet contained in it.

The basis for all of this? Do my colleagues feel that I am wrong in saying that immediate and far-reaching attention is needed in the solution of a most serious problem?

Now, attempts to patch up the present system or to close this loophole or that loophole simply will not work. We have tried it in 1962, 1965, and 1967. It simply will not work, but will lead us to nothing but further disillusionment and recrimination.

The legislation which we are recommending is clearly needed now. This I want my friends on this side to hear. It is clearly needed now to prevent the collapse of a very basic function of government, in my opinion; namely, assisting its poorer citizens to a better life.

Look what is happening, look what has threatened to happen, in most of the legislative bodies of our States with respect to these ever-increasing costs and the possibility of ever-increasing cuts in State benefits established by members of State legislatures.

The bill which we are recommending, I think, is clearly needed now not only to prevent the collapse of this very basic governmental function but also because the bill would establish entirely new programs to carry out this basic function of government in a modern 20th-century way.

The new bill which we recommend, H.R. 1, title IV, will have the following main elements:

First. Let us get this. The separation of needy families on the rolls and in the future who come on the rolls into two groups. The gentleman from Oregon, who will present some views of his own later on, had this as the cornerstone of his bill and in his thinking. We have taken his idea of separating these people into two groups; those with an employable adult in the family—that is, including families where the father is working full time, for low wages, even—and those without an eligible adult. And in each instance we provide appropriate help tailored to meet the need of each group, which is something badly missing within this hodgepodge of mess that we have today.

Second. We have incentives and requirements for work, for training, and for rehabilitation.

Third. We have a heavy investment in this bill in training, rehabilitation, job placement for poor families with expanded child care, manpower training, the use of all the programs that have been so carefully worked out and developed by the Committee on Education and Labor. We have public service employment and we have intensified monetarily our efforts with respect to family planning services.

Fourth. Uniform requirements for eligibility for cash assistance, susceptible of effective uniform administration, with specific limitations and with specific requirements.

Fifth. As a support for the entire program, an efficient, modern, national administrative mechanism designed to assure that only those who are eligible will receive benefits, while avoiding the unproductive redtape and delay that so many of our most needy citizens have encountered in their efforts in the past to obtain help.

SEPARATION OF POOR FAMILIES INTO TWO GROUPS

Let me talk a little bit about this business of separating these people into two groups.

All eligible families, as I have said, would be divided, under the bill by law, into two groups under separate programs tailored to meet each particular group's needs and requirements.

The CHAIRMAN. The time of the gentleman from Arkansas has expired.

Mr. MILLS. Mr. Chairman, I yield myself 10 additional minutes.

Families with an adult available for employment under the terms of the bill would be enrolled in the opportunities for families program that would be administered not by the Department of Health, Education, and Welfare, not by welfare, but by the Department of Labor—the Labor Department. The Secretary of Labor will be furnished the necessary authority and funds to enable him to carry out his responsibility to help families into rehabilitation but, and more important, into self-support and self-respect. All other families, including those where an adult is incapacitated or where there is no other qualified employable adult within the family, would be enrolled in the family assistance plan which the President initially recommended and which was the principal part of the plan in the bill that we passed last year.

The Secretary of Health, Education, and Welfare would be responsible for this program, including arrangements for vocational rehabilitation service to all of the incapacitated family members under his jurisdiction.

How does this group break down? About 2.6 million families—I am not talking about recipients now but 2.6 million families—would enter in the opportunities for families program and about 1.4 million families would be in the fam-

ily assistance plan in the first full year of its operation.

Under present law the low-income family headed by the father is not eligible for AFDC if he is working full time and in 26 States even if he is unemployed. The family headed by a female—and this is quite a contradiction—is eligible whether she is working full time, part time, or not at all. This anomaly is not only inequitable on its face, but it leads to severe economic pressures for a father to leave his family and go elsewhere. He finds himself in the untenable position of being able to assure that his wife and children are properly fed and clothed only if he leaves them. Think of it. Only if he leaves them. It is not unlikely that this situation is related to the fact that female-headed families are increasing three times faster than the population generally—think of it—three times faster than in the population generally. These incentives are, of course, exactly contrary to what I and I think the majority certainly of my own Ways and Means Committee believe to be in good public policy. I am sure that the House would agree with me that any program that puts an incentive upon a father to walk away and leave his family and his children in order to assure that they get something to eat is not a program that has in it equity or good public policy.

Clearly, Mr. Chairman, the incentives should be in the direction of keeping the father with his family in order that he too may have the opportunity of supporting them.

Since male-headed families may be brought under the new program, proper incentives and controls should be introduced into the system and an eventual reduction in the rate of family break up can surely be expected to result.

INCENTIVES AND REQUIREMENTS FOR WORK, TRAINING, AND REHABILITATION

The new plan would substitute specific rules to determine who must register for work or training; whereas, at the present time we have a haphazard system of the existing law under which each State decides who is appropriate for referral to registration.

Under the bill any member of an eligible family who did not meet specific criteria would be considered available for employment and would have to register with the Secretary of Labor for work or training. Any person who would not register or take work or training as required would subject his family to a penalty of $800 per year in reduction in benefits. Every person taking training would receive at least $30 per month as an additional incentive to stay in the training program. Thus, the monetary difference between refusing or taking training would be $1,160 a year. We think that is some inducement to keep people in training and at work when work is provided.

Now, the same penalties and the determinations would apply to people, of course, who are offered vocational rehabilitation services.

As an incentive for work the bill says we will forget for purposes of these benfits and not consider this amount of earned income—$720 a year, plus an additional one-third of all one earns in excess of that $720.

INCREASED INVESTMENT IN MANPOWER TRAINING, REHABILITATION, CHILD CARE, PUBLIC SERVICE EMPLOYMENT, AND FAMILY PLANNING SERVICES

Now, this new approach to welfare in using a variety of means to get people into work and self-support will be of great benefit.

We are taking the opportunity of injecting into this program new concepts and new ideas, all of which are supposed to induce people to get out and help themselves.

What is this program best described as being? A program of the Government to help this individual to help himself. Compare that concept, if you will, with the existing program of welfare where in one State we now have the fourth generation in the same family living just as the first generation did without any responsibility whatsoever, except to go get a check or to open a letter with a check in it. Think of it.

Now, in order to induce these people to participate, we have done more than merely stimulating their desires by making money available to them.

This program is one of the most far-reaching programs in rendering services that are required when people are called upon to undertake to help themselves.

Next, Mr. Chairman, let us talk about the parts of the programs. The gentleman from Alabama (Mr. ANDREWS) raised a question about the cost and I want to break it down for the gentleman. Remember, in total, this is a $5.5 billion program about which we are talking.

Now let us look at child care. The bill provides $700 million for services, not cash payments to these people, but child care services that must be available if a mother with small children is required to work or take training. She will not be required to do either one, and walk off and leave her children without knowing that they are in somebody's care. But we have to pay a lot for that—$700 million plus $50 million for construction of facilities if necessary. That is the equivalent of more than 875,000 child-care slots.

Another facet of the programs is public service employment for 200,000 jobs—call them whatever you want to, projects that have to be developed by some level of the government or some nonprofit institution. Public service jobs, $800 million.

That is a billion and a half already. That is how much is required to make certain that there are 200,000 jobs slots for these people.

Manpower training and placement activities, $540 million, which is equivalent to 412,000 slots in addition to the 187,000 now authorized. This includes 75,000 slots for upgrading the jobs of those now working in low-pay jobs.

Then there are others—$100 million or more for some additional services such as minor medical services, transportation need, and so on.

The CHAIRMAN. The time of the gentleman from Arkansas has again expired

Mr. MILLS. Mr. Chairman, I do not wish to go much further, but allow me to yield myself another 10 additional minutes.

HELP FOR THE POOREST OF THE POOR

Mr. Chairman, title IV of the bill goes a long way in reducing the disparity that presently exists in welfare standards among the 54 jurisdictions that now determine those standards. Today, there are 22 States in which a family of four with no other income receives less—and in many of them, far less—than $2,400 a year assistance. Payments for a family of four in one State are only $60 a month, and most of them are black. Under title IV no such family would receive less than $2,400 a year.

Now, I have not heard of a single Member who suggests that a really destitute family of four should be able to get by on less than $2,400 a year to buy the essentials of life, no matter where in this country that family happens to live.

Title IV concentrates on bringing help to the poorest of the poor, bringing the lowest payment levels up to the minimum Federal standard.

HELP FOR CHILDREN

We are thinking in terms, Mr. Chairman, of bettering the lives of children. Now we have about 7 percent of the total child population of the United States subjected—yes, I say subjected—to that type of life that one must have under the present welfare system. Think of it, 7 percent. But do you know that in the next 5 years the Department estimates on the basis of our existing programs that there will be close to 15 percent of your total child population on welfare? Now, that is doubling the rate of children under the program and more than doubling the cost. But the cost is not what is bothering me. What bothers me is the constant increase in the number of children in the United States that we are allowing to be subjected to the welfare way of life.

What is it doing to these children?

Is it strengthening their incentive? Is it giving them a greater incentive and a greater inducement? To me it is just doing the reverse—it is destroying that innate native-born fiber that they come to this earth with.

Is that the kind of population we want to continue to encourage to grow? Not me—I want to create a situation wherein welfare is nothing more than a short stopping terminal place in the life of people who become unfortunate enough to need it. But not a continuation of life, for the remainder of their days here—and for their children—and for their grandchildren. Nobody ever gets anywhere in the world through somebody giving him something all the time. The only way in the world that these people will ever get out of this vicious cycle is for us to do what we have been doing since the beginning of this great Republic, since the beginning of this great Nation of ours. By lending the hand of those who have—either individually or through the Government—downward to grasp the hand of the fellow below. By giving that fellow the strength and the financial help he needs to pull him up to help himself to a greater life and to a more abundant life and to know that dignity that comes, as all of us know, at the end of the day when we feel that we have rendered a service to our people, to our country, and to our God.

As I said, we have been very much aware in our deliberations of the fact that we are dealing in this bill with the welfare and care of millions and millions of America's children. We have included many provisions in title IV of the bill designed to protect children and promote their well-being in addition to the basic provisions which give more money to poor families with children.

Title IV has provisions requiring the administrators of the programs to notify the proper authorities when possible abuse or neglect of children is found.

Title IV has a provision which permits schoolchildren to keep their earnings from their afterschool jobs. This will see to it that poor children will receive the rewards from their work which children in more fortunate families receive.

Title IV has a provision which will cover families where the only children are those between age 18 and 22 attending school full time. This provision is needed to help children in poor families to secure a good education.

Title IV contains a provision which will disregard one-third of an absent father's support payments so that the child will be better off from those payments.

ADMINISTRATIVE ARRANGEMENTS AND SAFEGUARDS

The committee has become convinced that the major key to the success of a program to assist the poor of the Nation is an effective, efficient administrative mechanism which has both the confidence of the taxpaying public and the respect and cooperation of those who apply for its benefits. We have, therefore, directed a great deal of attention both to the specific provisions in the bill which would create such an administrative mechanism and to working out with the Secretary of Labor and the Secretary of Health, Education, and Welfare the system of administration which will characterize the proposed program in its day-to-day operations.

We believe that maintaining the integrity of the program requires that eligibility for benefits under this program must be established by suitable and convincing evidentiary materials, such as birth certificates. There will be no simple declaration process. Moreover, continuing eligibility must be shown by timely income reporting with failure to do so resulting in suspension of benefits and specific dollar penalties. Social security and income tax records would be used to verify the accuracy of earnings reports and to avoid duplicate payments. A requirement for reapplication every 2 years emphasizes our intent that receipt of benefits should be a temporary status and not a way of life.

The bill also provides that a father or mother who deserts his or her family will be responsible to the Federal Government for every penny paid to the family. If the debt cannot be collected in any other way, the Government will withhold all Federal payments of any sort to the deserting parent until the debt is paid. In addition, the bill would make it a Federal crime for an individual to cross a State line in order to escape the financial responsibility to support his family.

IMMEDIATE STEPS TO CORRECT PRESENT PROGRAM

The bill would make the new programs effective just as soon as it is possible to put them into operation. That date is July 1, 1972, for the families covered under the present program and January 1, 1973, for families with a fully employed father. However, we are well aware that the present program is in dire need of immediate stopgap measures even during that short period of time. Therefore, the bill contains several provisions to deal with certain problems in the present program. These changes would support the efforts of several of the States which have come to see that prompt action is needed at that level of government.

SUMMARY OF FAMILY PROGRAMS

Every possible step will be taken under the new programs to assure that only those eligible for the benefits will get them. We are convinced, both on the basis of specific studies and on the testimony of witnesses before the committee, that there are many thousands of people now on the AFDC rolls who do not belong there. There is evidence that there are people on welfare who do not report their earnings. There is evidence that fathers have only seemed to have separated from their families, while actually remaining a part of the family, and providing support to the family which the welfare office never learns about. Under the provisions of the bill, such practices would be eliminated.

ASSISTANCE TO THE AGED, BLIND, AND DISABLED

The problems which we found with the family welfare programs exist, but to a much lesser degree, in the three separate programs we have now which provide assistance to the aged, the blind, and the disabled. These adult assistance programs, however—characterized as they are by smaller numbers of people and more nearly static beneficiary rolls—may be more susceptible to rapid and efficient reform than the family programs. Contributory social insurance and other sources of income—private pensions, annuities, and other income from assets—are sufficient to keep the total income of the majority of the aged, blind, and disabled from falling below the poverty line. It is our belief that, to the extent possible, contributory social insurance should continue to be relied on as the basic means of replacing earnings that have been lost as a result of old age, disability, or blindness. But some people who because of age, disability, or blindness are not able to support themselves through work, may receive relatively small social security benefits. Contributory social insurance, therefore, must be complemented by an effective assistance program.

The committee, therefore, proposes a new assistance program for needy aged, blind, and disabled people, administered and financed by the Federal Government. Thus, the bill would repeal the existing title I—old-age assistance—title X—aid to the blind—and title XIV—aid to the permanently and totally disabled—of the Social Security Act. In place of these titles, the bill would substitute a new title XX creating a single national program to provide cash assistance to the needy aged, blind and disabled. Under the new Federal program, uniform eligibility requirements and uniform benefit payments would replace the multiplicity of requirements and benefit payments under the existing State-operated programs. The new program has been designed with a view toward providing:

First, an income source for the aged, blind, and disabled whose income and resources are below a specified level;

Second, incentives and opportunities for those able to work or to be rehabilitated that will enable them to escape from their dependent situations; and

Third, an efficient and economical method of providing this assistance through the Social Security Administration.

The benefit standards will be $130 for a single person and $195 for a married couple beginning July 1, 1972. On July 1, 1973, the single person standard would go up to $140 and the couple standard to $200. On July 1, 1974, the standard for a single person would go up to $150.

FINANCING ASSISTANCE

I would like to detail for the Members the fiscal impact of the assistance programs in the bill. In the first year of the new assistance programs, $5.5 billion more in Federal money would be spent than would be spent under present law. Of these new costs, $1.6 billion represents fiscal relief for State and local governments and, therefore, fiscal relief for State and local taxpayers. The direct increased cost of these programs to the taxpayer is actually, therefore, $3.9 billion. Of this $3.9 billion, $1.5 billion, or 38 percent, represents additional income for aged, blind, and disabled needy people. Another $1.7 billion, or 44 percent, of the $3.9 billion represents an increased investment in assisting poor families to become economically independent. This additional money will purchase increased amounts of child care, job training, public service jobs, family planning services, and supportive services for families taking training or work. Thus, $0.7 billion, or about one-fifth of the $3.9 billion, represents additional income for low-income families, primarily poor families where the father is working full-time at low wages.

I wanted to bring out these figures very clearly so that the Members of the House can see directly the fiscal effects of the public assistance provisions in H.R. 1.

Incidentally, Mr. Chairman, I should point out to the Members that these figures I have presented would not apply if title IV is removed from the bill. With title IV, all States would save funds in fiscal year 1973. Without title IV, States would have increased costs in fiscal year 1973 and all but one or two States would have their savings substantially reduced. The amount of fiscal relief taking all the States together would disappear. Some States would save some money, others would lose money—the losses would exceed the gains by about $100 million.

As I indicated in opening my statement, Mr. Chairman, the provisions of the bill in addition to those relating to

the proposed new assistance programs are important enough by themselves to be called landmark legislation.

Since I have used so much time discussing the assistance provisions, I will mention only the highlights concerning the remaining provisions of the bill and request unanimous consent to have inserted in the RECORD at the end of my remarks a summary of all of the major provisions of the bill.

SOCIAL SECURITY CASH BENEFITS

The bill has many provisions affecting cash social security benefits which the committee believes are most urgently needed. The bill would provide social security beneficiaries with a 5-percent increase in benefits beginning with payments for June 1972 and a guarantee that future inflationary changes in the prices of goods and services will not erode the purchasing power of their benefits. In addition, the bill would provide substantial improvements in other cash provisions of the law. The more important of these are:

First. The annual amount of earnings people can have without affecting benefits will be increased from $1,680 to $2,000.

Second. Benefits to widows who get benefits at age 65 or later will be increased from 8½ percent to 100 percent of the husband's benefit.

Third. A special minimum benefit to help the long-term lowpaid worker will be provided.

Fourth. The age upon which benefits are computed for men would be reduced from age 65 to 62, the age which is now used for women.

Fifth. People who delay retirement beyond age 65 would get higher benefits.

Sixth. The waiting period in disability would be decreased from 6 to 5 months.

Seventh. The earnings of a married couple could be combined if it was to their advantage.

MEDICARE AND MEDICAID PROVISIONS

The bill provides for several major changes in the medicare program which will directly affect the protection afforded beneficiaries.

Medicare coverage would be broadened to include about 1.5 million persons entitled to disability benefits under the social security and railroad retirement programs, after they have been entitled to disability benefits for at least 2 years.

Medicare hospital insurance would be made available, on a voluntary basis, to about 300,000 aged people who are not now insured for such protection. Those who enroll would pay the full cost for this protection—$31 a month at the beginning.

Benefits would be payable for physical therapy services furnished by a qualified independently practicing physical therapist.

Coverage would be extended to hospital, physician, and ambulance services furnished to beneficiaries living in border areas of the United States who require care in a foreign hospital that is closer to the beneficiary's residence than a U.S. hospital.

The lifetime reserve of hospital days for all beneficiaries would be increased from 60 to 120 days.

The bill also includes a number of provisions designed to increase the operating effectiveness of the medicare and medicaid programs.

In addition, the bill includes several other medicare provisions which, taken as a whole, provide incentives to limit program costs. Thus, the medicare part B deductible, currently $50 a year, would be increased to $60 in 1972; coinsurance equal to one-eighth of the hospital deductible—now $60—would be applied beginning with the 31st day and continuing through the 60th day; the Secretary would be authorized to require a premium, related to income, for the medically indigent under a State medicaid program; families eligible for cash assistance would be required to pay a deductible under medicaid up to one-third of the family's earnings above $720; and disincentives would be provided to discourage prolonged stays in institutions.

In order to minimize the financial burdren that the part B premium may come to represent in the future, the bill provides that the premium will be frozen at the July 1971 level of $5.60 and will be increased in the future only as cash benefits are raised.

INCOME TAX CHANGES

The income tax changes in the bill are closely associated with the social security and welfare provisions. One of the income tax changes liberalizes the deduction for child-care expenses where there is a working mother. This will be of primary benefit to those in the relatively low income levels and is in line with other provisions of this bill which provide for child-care services and-encourage those receiving welfare payments to obtain employment.

The second income tax change also is closely associated with the social security provisions. Social security benefit payments, upon receipt by the individual, are free of income tax, and in the past Congress has considered it appropriate to also exempt from income tax a comparable amount of income received by the elderly to the extent they do not receive social security payments. However, the provision—the retirement income credit—in existing law which is designed to achieve this result has not been updated with the changes in the social security payments in recent years. Moreover, the provision has proved to be so complex in operation that many who should be eligible for the retirement income credit have not used it. We have revised the retirement income credit of present law to significantly raise the levels of income on which the credit is based and also to substantially simplify the method of computing the credit.

CONCLUSION

Mr. Chairman, as I said at the opening of my statement, H.R. 1 is a monumental bill. It is a sound, workable bill that deserves the support of every Member of this body. I urge its passage in its entirely and without qualification or reservation of any kind.

Mr. CONYERS. Mr. Chairman, will the gentleman yield?

Mr. MILLS of Arkansas. I yield to the gentleman.

Mr. CONYERS. I am very much interested in knowing how it is that you intend through the proposed legislation to make the stop on the welfare a short one rather than a way of life? That is to say, what is there in the bill that is going to create the kind of economic situation where those on welfare can get off it?

Mr. MILLS of Arkansas. The billions of dollars that we have in the bill that will help those who need the help to help themselves through training.

Mr. CONYERS. Training for what?

Mr. MILLS of Arkansas. Training for jobs.

Mr. CONYERS. What jobs?

Mr. MILLS of Arkansas. For jobs that are available.

Mr. CONYERS. We know that it is a fact, may I say to my distinguished chairman, that in Detroit 26 percent of the working people are out of work.

Mr. MILLS of Arkansas. I understand.

Mr. CONYERS. Not to mention people on welfare who are out of work.

Mr. MILLS of Arkansas. I understand that the gentleman has a very difficult situation in Detroit. And there are similar areas elsewhere also, I will say to my friend. I think my colleague knows that the only way you can help anybody is to try to help him to help himself. That is what we have done in this bill.

Now because we have the rate of employment that we presently have, we undertake in the first year the creation of 200,000 jobs. There are other jobs in programs that have been passed by the Congress, as reported from the Committee on Education and Labor, which will also be available here. But we are making these jobs available—as many as we can make available in the first year. And if it is necessary, we will make other jobs available at public expense. We are not going to let these people go down through training to the end of the road and then suffer that humiliating experience and disappointment of work not being there for them. But we are going to expect them to take that job that is there, and if they do not, they are going to be penalized in the process.

I think my friend wants them to have work just as much as I do. I have never talked to anybody on welfare in my State who hs not said to me, "Congressman, the greatest thing that you can do for me is to give me some opportunity through training and work to help myself to help my family." And we have done it in my State in many instances and the success has been surprising. When you train these people and give them that opportunity to go to work in a hospital or in a nursing home or anywhere else where their training qualifies them to work they will take the work. And we have done it at about a cost of about $40 a month in many instances for 5 or 6 months in Little Rock. It can be done—we have demonstrated it. We have demonstrated it in other cities. And since it can be done, why do we quibble about these points? Why do we not just get started with the job? That is the important thing—get it on the track and get underway. If it will not work, we can come back and provide some other types of incentives. Because incentives have to be present for anybody and everybody. If they have lost that incentive for training through being on the dole, as some

tend to do, we need to give them additional incentives.

Mr. CONYERS. Mr. Chairman, will the distinguished chairman yield?

Mr. MILLS of Arkansas. I am glad to yield to my friend from Michigan.

Mr. CONYERS. I take it, Mr. Chairman, that you are well aware, of course, that of the 25 percent of American citizens who are on welfare, a great percentage of them are unable to work no matter how much work is provided.

Mr. MILLS of Arkansas. We understand that. Anybody who is not qualified to work will not be offered work. Let me make it clear. If in Detroit the condition remains as it is today, we are not going to throw the type of person to whom the gentleman refers off of this program—until he is provided with a job and refuses to take that job. If there is no job available, this bill would not change his circumstance, because there is nothing to which the Secretary of Labor could assign him or refer him.

If the man needs training, it is well if he would take training, even though there may not be an immediate job, because at the time he would get through with his training we would hope there would be jobs. But if there are not, and the mayor of Detroit needs to do work on any facility of the city or the Government wants to do something, all it has to do is to set up a project, and we fund that project by providing him with the manpower to do that work.

Some way or other we must assist these people, to encourage and to inculcate in them work habits, if they have been without work habits for a long period of time.

Mr. CONYERS. Of course, that is the implication that I most, in fairness to the chairman, resent.

Mr. MILLS of Arkansas. In what way?

The CHAIRMAN. The time of the gentleman has again expired.

Mr. MILLS of Arkansas. I yield myself 2 additional minutes. I do not understand what the gentleman is saying. Do you mean to tell me that a fellow who is a third generation of a family on welfare, his mother or father did not work, his grandfather and grandmother did not work, and they all were on welfare, could have very much work habit?

Mr. CONYERS. I am not sure if I can tell you that there would be insistence on work if made available to him, and that is precisely the point that bothers me.

Mr. MILLS of Arkansas. That is the point that bothers me. That is why this bill will see to it that there is work. I think my friend makes a very serious mistake if he feels that people on welfare do not want to change. I know, of course, my friend Dr. Wiley does not, however. I know he does not.

I want to get people to work. But just between us, I am sick and tired of his arguments. He made a lengthy analyses of this bill and argues against the bill. He is accurate—and I am talking about complete accuracy—in very few of those arguments. I have gone over them in detail. Five of them are not even in relation to title IV, but have to do with medicaid and medicare.

There are several of his points about title IV that get down to a question of judgment: Should it be $2,400 or $6,500? Those are matters of judgment and fiscal responsibility, I might add.

The CHAIRMAN. The time of the gentleman from Arkansas has again expired.

Mr. MILLS of Arkansas. Mr. Chairman, I yield myself an additional 2 minutes so that I may yield to the gentleman from Missouri.

Mr. ICHORD. I thank the gentleman for yielding. I have listened very intently to the distinguished chairman of the committee, because I did have many doubts about the advisability of the program the gentleman recommends. There is one area which the gentleman did not cover, and I would like to ask a question in that regard. Who under the program will determine the eligibility for assistance? I wondered what would happen to the great bureaucracy that has been developed on the State level.

Mr. MILLS of Arkansas. There will be functions the State will be called upon to perform, primarily those so-called social services. But the eligibility is determined by Federal law, the entire cash program, the training program, work program—all of that is financed and administered entirely by the Federal Government.

The payment is a Federal payment in its entirety in these amounts which are in the bill.

The CHAIRMAN. The time of the gentleman from Arkansas has again expired.

Mr. MILLS of Arkansas. Mr. Chairman, I yield myself 3 additional minutes.

Mr. ICHORD. Mr. Chairman, will the gentleman yield?

Mr. MILLS of Arkansas. I yield to the gentleman from Missouri

Mr. ICHORD. They will be Federal employees. It is impossible to lay down statutes or even regulations governing each specific case as to whether an individual would be eligible. Somewhere along the line some judgment or discretion is going to have to be used.

Mr. MILLS or Arkansas. That is true.

The question will arise: Is this individual incapacitated? That is a medical question. The individual will be sent to a doctor to examine him, who will determine if he has such incapacity as not to be defined as an employable adult within the household. In most States the vocational rehabilitation agency will make determinations of disability just as they do in the social security program.

If it is a question of being 65 years of age, we say that person will not have to be referred.

If the person is needed in the home because of temporary or permanent illness or incapacity of another member, we will not require that person, so long as that condition prevails, to go out to work or training.

Mr. ICHORD. That judgment will be made by Federal officials?

Mr. MILLS of Arkansas. All these will be Federal official decisions.

We are told that with regard to the adult program, which will become the jurisdiction of the Social Security Administration, relatively little additional personnel will be needed by social security nationwide to handle that program. They tell us in the Department of Labor and in HEW that they will administer these two programs of opportunities for families and the family assistance program with anywhere from 15 to 25 percent fewer numbers than presently administer the same programs at the State and county levels.

Mr. ICHORD. What about the 200,000 public service jobs, which I believe is a good feature of the bill? Will they be established by the States? What role will the State have in respect to the public service jobs?

Mr. MILLS of Arkansas. The project job will be approved by the Department of Labor. The mayor of the city within the gentleman's district could say, "We have some land we would like to develop and to make into a city park," for example. He would then get in touch with the proper people under the Secretary of Labor. The Secretary of Labor would look to see whether or not that project meets the requirements of the bill. If it did he would approve the work by so many people who have been requested to work on that project.

The Federal Government would pay their salaries while doing it, just like the Federal Government paid the salaries of people who worked on WPA in the gentleman's youth.

Mr. O'NEILL. Mr. Chairman, will the gentleman yield?

Mr. MILLS of Arkansas. I yield to the gentleman from Massachusetts.

Mr. O'NEILL. Mr. Chairman, before the Rules Committee the other day you said you would be happy to explain the bill to the Members, which you are doing. In view of that fact, we sent a whip notice out urging Members to be on the floor, saying the gentleman would be available to answer all questions. I wish the gentleman would take more time.

Mr. MILLS of Arkansas. I assure my friend I will not refuse to yield to any Member who wants me to yield.

The CHAIRMAN. The time of the gentleman from Arkansas has again expired.

Mr. MILLS of Arkansas. Mr. Chairman, I yield myself 2 additional minutes.

Mr. COLLINS of Illinois. Mr. Chairman, will the gentleman yield?

Mr. MILLS of Arkansas. I yield to the gentleman from Illinois.

Mr. COLLINS of Illinois. In instances where States are paying more than $2,400 for a family of four, is there any provision in this bill to guarantee that in those States people will maintain the same amount?

Mr. MILLS of Arkansas. There is nothing that mandates the State to do that. But let me call to the attention of my friend from Illinois the fact that there is nothing in existing law that mandates the State to maintain next year the benefit the State sets this year. There is nothing in the existing law that mandates the State against reducing those benefits.

But there is a savings for all States in this bill. Even if the State wants its benefits to be maintained, if the State will

turn over the administration of the program to us we will pay the benefit that that State has in effect plus the amount that that individual would get on top of that from the food stamp program, therefore, we would pay a higher cash benefit without the State of Illinois or any other State ever having to be out more in the future than that State spends for all of its programs of welfare in the calendar year 1971.

I was very anxious that we do this, because it seems only fair to the States. I am glad that you have brought this point up It is only fair to the States.

If we administer the program, it will work and people move off faster than they move on, but if it does not work that way, however, the States should not then be responsible for the increased costs inflicted on them by a program which is federally administered.

My friend, the gentleman from Wisconsin, offered a motion in the committee to provide for this whole harmless provision involving about 19 States that have these higher levels of benefits than we are providing here.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. MILLS of Arkansas. Mr. Chairman, I yield myself 5 additional minutes.

Let me go on just to answer this question.

I have been up there in your State. I had an invitation that I accepted to speak to a joint session of your legislature. I never met a more intelligent group of men, a group of men that I felt were any more interested in the problems of human beings than I met with out there. Your State has done a good job compared to all of the States in proportion to what all of the States have done in trying to take care of the problems of the poor. I cannot conceive of the members that I faced that day in your legislature moving backward from where they have voluntarily gone to in this level of benefits. I think my friend from Illinois would share that view with me.

Mr. COLLINS of Illinois. Mr. Chairman, will the gentleman yield further?

Mr. MILLS of Arkansas. I yield to the gentleman.

Mr. COLLINS of Illinois. May I ask for this further clarification by posing an example. Let us say that in the State of Illinois a family of four receives $2,800. Under this proposed legislation then the ceiling would be $2,400?

Mr. MILLS of Arkansas. No. The floor.

Mr. COLLINS of Illinois. Pardon me. The floor would be $2,400. Then, what would this bill provide for the persons who are receiving $2,800?

Mr. MILLS of Arkansas. There is no mandate, as I say, to maintain that $2,800. But let me show you what an inducement there is to maintain it. Today your State is putting up, let us say, $1,400—50—50. Of that $2,800 the Federal Government is putting up $1,400. However, here we are going to say to the State of Illinois that we will continue to maintain your benefit of $2,800 and we will put up $2,400 and, in order to maintain that $2,800, in place of putting into it $1,400, your State merely has to put into that case $400, and there you have the $2,800. The State can save $1,000 in that case, you see, because we have raised our ante from $1,400 to $2,400.

Now, if my friend will look on page 216 of the report, you will find a table there which sets forth the so-called State savings. These savings are after assumptions that the present levels of benefits will be maintained plus the cash equivalent to what is being received by these people through the food stamp plan. So the cash benefit payment for this family would be higher than the $2,800. But, as you know, under the bill, those who receive the cash benefits are not eligible for the food stamp, also. We have bought out the food stamps, so we do not need to have both going to the same family.

Mr. WHITE. Mr. Chairman, will the chairman yield?

Mr. MILLS of Arkansas. I yield to the gentleman from Texas.

Mr. WHITE. I thank the chairman of the Committee on Ways and Means very much.

In addition to moving these applicants into public service jobs, I would be most interested in seeing them also moved into private industry or even possibly into a WPA-type job if no private industry or public service jobs were available.

Mr. MILLS of Arkansas. I will say to the gentleman from Texas that we will have to cross that road later. We hope to be able to create 200,000 jobs, or as many jobs as we can create in the first year and if the situation does not improve, in the next year your committee would be perfectly willing to hear suggestions from Members of Congress and others outside of the Congress as to how we possibly could proceed to get these people into the type jobs which the gentleman describes, if there are no private jobs available. Private jobs, however, are what we want them to have.

Mr. WHITE. Mr. Chairman, if the gentleman will yield further, the committee did consider the future possibility of this?

Mr. MILLS of Arkansas. We do not know how long we will have to run it. We wanted to start with 200,000 jobs because that is about as many as you can create and successfully administer in the first year. But if the situation worsens, then, perhaps, that figure would be greater, but we do not believe that to be the case at the present time.

I think we are trying to do a monumental service in their interest and in their behalf.

Mr. DENHOLM. Mr. Chairman, will the gentleman yield?

Mr. MILLS of Arkansas. I yield to the gentleman from South Dakota.

Mr. DENHOLM. Mr. Chairman, I want to compliment you on a very forceful and direct statement this afternoon.

I am wondering whether or not in your studies and evaluations and your efforts to reform this very complex problem what were some of the specific causes that precipitated the existing deplorable situation that we face today. Was it the fault of the local governments or lack of action on their part?

Mr. MILLS of Arkansas. No; I do not want to place this at the feet of the local and State people. I think in most instances these people who administer the program will say that, "We are told from Washington what to do and how to do it." I do not want to get into that, but you do have a situation wherein there is far more knowledge today in all areas of the United States—there is more knowledge being made available to people about what benefits are available within the States.

There is some degree of migration from one State to another where there are higher benefits in one State than the other. But there is no single matter that you can point to as the overall or major cause of this. However, let me tell the gentleman what I think is one of the factors that has contributed to this as much as anything else. Before 1965, the Congress participated with the States to the extent of $32 per child per month in the support of that child. Then everything above that was put into that child's assistance was at State expense. However, when we passed medicare and medicaid, we allowed the States to elect to use the medicaid formula for all welfare programs and the States immediately went to that formula. In other words, this was an opportunity for them to get their money back and get still more money from the Federal Government. Many changed from the formula then existing into the 50–50 formula, but it made it possible through their many programs to obtain this additional Federal money to establish levels of benefits that were higher, perhaps, than they maintained previously. The higher you get your benefit in many States the more people you make eligible for your program. So, it is a combination of matters which has brought it about. But the situation is at the point now where it is breaking the States and local governments and, if we do not reverse the trend, we will break the Federal Government.

Mr. DENHOLM. Could the gentleman tell me how many are on the welfare program at this time and what the estimate is as to the number that will be on it after the inauguration of this program as provided for under this bill?

Mr. MILLS of Arkansas. There is a very interesting article on the front page of the Washington Post this morning that says that the number of children and adults in March—AFDC beneficiaries—totaled 10,166,000. You add to that about 3 million adults who are on the program and you have a total of about 13 million recipients. That represents an increase in AFDC in the month of February of 224,000 nationwide, which means that it was going up into the neighborhood of 275,000, 280,000 or 285,000 in each of the 2 months of the last quarter.

So this thing has not stopped. It is not going to stop under the present arrangement, and it is going to become an ever-increasing burden. It is estimated in fiscal year 1972 that the total cost of all welfare including medicaid, to all levels of the Government in the President's budget will be in excess of $20 billion. In 1969 fiscal year it was $10 billion.

Mr. HUNGATE. Mr. Chairman, if the gentleman will yield further, it has been

my understanding that more would qualify to be on welfare under this bill than under existing law. Is that correct?

Mr. MILLS of Arkansas. We do not know where they come from in the first place, on welfare. But they do come from the working poor. Any time the benefits paid in a State are greater than a man can earn in the way of income after taxes he is going to quit work and go on welfare, or at least most of them.

The CHAIRMAN. The time of the gentleman has again expired.

The gentleman from Arkansas has consumed 56 minutes.

Mr. MILLS of Arkansas. Mr. Chairman, I do not intend to take more than 1 hour total time, so I will yield myself the remaining 4 minutes.

In further reply to the gentleman from Missouri, let me tell the gentleman that there is nothing fair—and I hope my friend, the gentleman from Wisconsin (Mr. BYRNES) will speak more on this tomorrow—but there is nothing fair about creating a situation where there is greater inducement for a person to be on welfare than having him continue to work. If you do not make arrangements to pay these people to continue to work, in 5 years most of them will be on this AFDC program. That is where we are getting them now. They are coming from jobs. They have not just suddenly been born, they are coming from jobs. They are not coming from charity, from agencies set up by the private sector to take care of the people, they are coming from jobs. Now, how can you say you are going to supplement the income of a person who is on welfare to go out and work without doing the same thing for a neighbor who is continuing to work? We would be doing an awful injustice in closing our door to these needs. So we do not know how many more will come on. And, if they do, then they have got to take training.

Mr. HUNGATE. Mr. Chairman, if the gentleman will yield further, I note the use of the term "father," and I assume that has to be a working father in the home?

Mr. MILLS of Arkansas. Certainly.

Mr. HUNGATE. It would not necessarily have to be a husband, or would it be a husband?

Mr. MILLS of Arkansas. It could be the husband, yes.

Mr. HUNGATE. Let us assume it is not.

Mr. MILLS of Arkansas. You mean the father is a common-law father?

Mr. HUNGATE. That is the situation to which I refer, which might be in violation of a State law.

Mr. MILLS of Arkansas. How is he treated in the State of Missouri?

Mr. HUNGATE. Not very well.

Mr. MILLS of Arkansas. In my State he has the responsibility that he would have incurred had he married the woman.

Mr. HUNGATE. The point to which I am trying to speak is that he lived in the home under a common-law arrangement, but we do not recognize that any more, officially, and that would mean that they would be entitled to less payment in that home.

As I understand the bill, if we use the term "father," if he is willing to work then the legitimacy or illegitimacy of the offspring will not be relevant. In this case they have lived together for 15 years, and have had that many children.

Mr. MILLS of Arkansas. Please do not get me into this little technical point. Let me point out to the gentleman that we are going to take care of them under this bill as a family. Whatever he makes is going to be taken into consideration when you determine the family needs, not take him out of it. If he is in that family and is not working, then all I have to say is that father is going to have to go to work, he is going to have to take training, and if there is a job available he is going to have to go to work, and he is going to have to support the children.

Mr. HUNGATE. If he is willing to work, his lack of marital status will not defeat the purpose.

Mr. MILLS of Arkansas. No, sir, because he has a commitment in that family.

Mrs. GREEN of Oregon. Mr. Chairman, will the gentleman yield?

Mr. MILLS of Arkansas. I yield to the gentlewoman from Oregon.

Mrs. GREEN of Oregon. Mr. Chairman, the gentleman has made reference to the public service employment bill voted out by the Committee on Education and Labor, which is now in conference with the Senate.

One of the bases of the controversy within the committee, and now between the committee and the Senate committee, is whether a nonprofit, private agency such as the Community Action Agency would be an eligible applicant for a contract for public service employment.

Now, my question has two parts:

First, in referring to the 200,000 jobs contained in the bill which the gentleman has described, and a provision which I heartily applaud, what kind of coordination would there be between this public employment of 200,000 jobs, and the 150,000 jobs that are provided for in the bill which this House approved 2 weeks ago?

And second, under the definition of H.R. 1, would a community action agency as a private nonprofit agency, be an eligible applicant for contracts?

Mr. MILLS of Arkansas. The answer to the second question is "yes, if the project was one which met all the conditions of the bill and was a true work and training program, not a project to find more people to go on welfare or get medicaid." And the answer to your first question is complete coordination, because your job program goes to the Labor Department just as does our job program. We have a provision within this bill for the establishment of an Assistant Secretary who will have complete charge of this opportunities for Families program and he is charged with the responsibility of seeing to it that all possible facilities of the agency are used in the promotion of this program.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. The time of the gentleman has again expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman from Arkansas yield himself another minute, since we are discussing this?

Mr. MILLS of Arkansas. I cannot yield myself more than an hour, so, Mr. Chairman, I will ask unanimous consent to proceed for 5 additional minutes, only for the purpose of answering questions.

The CHAIRMAN. To whom shall the time be charged?

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from Arkansas (Mr. MILLS).

The CHAIRMAN. The gentleman from Arkansas (Mr. MILLS) is recognized for 5 minutes.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. MILLS of Arkansas. I yield to the gentleman.

Mr. BYRNES of Wisconsin. I wish my colleague would follow me on this, because I think there may be some misunderstanding about this. As to the public service jobs, that is of a little different nature than the jobs created under the legislation passed by the House. These are more in the nature of training jobs, and we only pay wages or salary at 100 percent for the first year. And if the same individual is working in this job the second year, then the Federal Government would only assume the responsibility of 75 percent of the cost, and the next year only 50 percent. The idea being that there should be a turnover. This is for training these people and not to continue working for the public service organization, but be available in the general labor market.

Mr. MILLS of Arkansas. By that time the gentleman is saying that we hope the man will become sufficiently trained, where he is worth retaining on the job, that the city or the other level of government will want to keep him.

Mr. BYRNES of Wisconsin. I think that is important, Mr. Chairman, and that is the reason I want to point that out since the gentlewoman raised this point, that there is a distinction in the type of job we are creating here in these 200,000 jobs. That is supposed to be for these particular people, people who basically need work or training in addition to a job.

Mr. MILLS of Arkansas. The point I am trying to make, and I think the gentleman from Wisconsin (Mr. BYRNES), will agree with this, is that the programs the gentlewoman's committee envisions in their bill can be used for the purpose of putting these people to work.

Mr. BYRNES of Wisconsin. There is no question about that.

Mr. MITCHELL. Mr. Chairman, will the gentleman yield.

Mr. MILLS of Arkansas. I yield to the gentleman.

Mr. MITCHELL. I know the hour is late, but would the gentleman from Arkansas state whether the various Governors of the States have acknowledged their willingness to convert what had been food stamps into cash supplements?

For example, as Governor Reagan has or my own Governor of the State of Maryland and the Governor of New York—have Governors given any indication at all as to their willingness to

convert the former food stamp allotments into cash supplements.

Mr. MILLS of Arkansas. I have talked to a number of Governors—and without naming them specifically, which I do not like to do—but they have told me that on the basis of what we have done their legislatures and the Governors would maintain these benefit levels and take it to such a point as to extend the benefits to replace the loss of food stamps.

I talked personally with your Governor about this program. on one occasion, and your Governor, I think, will tell you himself that he is for the program.

Mr. MITCHELL. Yes; I know—not necessarily me, but everyone realizes that.

Mr. MILLS of Arkansas. But he has told you, has he not?

Mr. MITCHELL. Yes.

But could the gentleman give me some indication percentagewise as to the number of Governors who have so indicated that kind of positive and affirmative response?

Mr. MILLS of Arkansas. I have not talked to anything like enough of them, because there have been occasions when—may I ask my colleague the gentleman from Wisconsin (Mr. BYRNES) how many there might have been at one time—probably 10 or 11 or 12—and they were all interested in us absorbing more and more of the cost of welfare on the ground that it was the mushrooming the cost of the welfare that has been one of the things that is bringing the State government to the edge of bankruptcy. They were going with us on a program that did fix their costs and terminate this continuing year-by-year increase—which this bill does.

Mr. MITCHELL. I thank the gentleman.

Mr. MILLS of Arkansas. I do not think there is any problem in your State to maintain levels of benefits.

Mr. ABOUREZK. Mr. Chairman, will the gentleman yield?

Mr. MILLS of Arkansas. I am glad to yield to the gentleman from South Dakota.

Mr. ABOUREZK. Section 2173 makes it optional for the Secretary of Health, Education, and Welfare and the Secretary of Labor to contract for the administration. As I read the section, there is no mandate. Does the gentleman know whether the Department of Health, Education, and Welfare will administer the program in all 50 States?

Mr. MILLS of Arkansas. No; we do not know yet how many States will turn over administration of the supplementary payments to the Federal Government. We have an inducement in the bill to get all our Governors to agree to let us administer the program, but if some Governor says, "I am not going to let you administer the program; I am going to stay with State administration," then that would be the result. But we would not be holding his State harmless with respect to additional costs either. We would not be telling him, "We will maintain your level of benefits without your incurring any additional costs." If he will contract with us, we will pay all the costs of administration. I think that is sufficient inducement to every governor to turn over the program in his State for the cash welfare program.

The CHAIRMAN. The time of the gentleman from Arkansas has expired.

Mr. MILLS or Arkansas. Mr. Chairman, I ask unanimous consent that I may yield myself an additional 5 minutes in order to answer questions.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The CHAIRMAN. The gentleman from Arkansas is recognized for 5 minutes.

Mr. MILLS of Arkansas. I yield further to the gentleman from South Dakota.

Mr. ABOUREZK. I thank the gentleman. If a State decides to go with this program, would the Federal Government absolutely administer, or would it be possible for them to contract it?

Mr. MILLS of Arkansas. No; the Federal Government would administer both the opportunities for family program and the family assistance program—Labor the first and HEW the second.

Mr. ABOUREZK. And there is no alternative there?

Mr. MILLS of Arkansas. No, not after the first year, when the States could administer the programs under contracts with the Federal agencies.

Mrs. ABZUG. Mr. Chairman, will the gentleman yield?

Mr. MILLS of Arkansas. I am glad to yield to the gentlewoman from New York.

Mrs. ABZUG. As I understand the bill, there is a provision for mothers of children age 3 or over to take job training or employment.

Mr. MILLS of Arkansas. That is after 2 years. For the first 2 years she would not be required to register if her youngest child was under age 6. We would drop to age 3 in the last 3 years of the program.

Mrs. ABZUG. Can the gentleman tell me whether there are any protections written into the bill with respect to the availability of day-care facilities.

Mr. MILLS of Arkansas. Yes, she will not be required to take any job training or employment in cases where her child is not adequately cared for. If she has a mother living with her, she can leave the child with her mother if she wants to. But if a child care center is required, and none is available to her, then she would not be required to take any training or go to work until there was a child care center provided.

Mrs. ABZUG. Can the gentleman tell me the provision of the bill which states that adequate child-care facilities will be available under those conditions? I have not been able to find it.

Mr. MILLS of Arkansas. That is the point I make. There is nothing in the bill that says that we will have adequate child-care facilities. We are estimating what will be necessary in the first year to provide child-care facilities for those that we will be putting into training or into work. It is simply an estimate. If there is not enough, of course, we can adjust the provision later on. We think it will be enough, because we think it will include everyone that we could possibly get into training for work.

Mrs. ABZUG. One further question. Where did the gentleman obtain the figures for the bill as it now stands?

Mr. MILLS of Arkansas. These are estimates made by departmental people and by us as to how many child-care slots we need if we have the capacity to train as many people. You see, the relationship is between the two.

Mrs. ABZUG. What is the number in the bill?

Mr. MILLS of Arkansas. I have the figure somewhere. I yield to the gentleman from New York (Mr. CAREY) to supply that figure.

Mr. CAREY of New York. It is 875,000.

Mr. MILLS of Arkansas. It is 875,000, sure. And the cost would be how much?

Mr. CAREY of New York. It is $700 million.

Mr. MILLS of Arkansas. That is correct; $700 million.

Mr. CAREY of New York. There is an additional $50 million for modification and construction money.

Mr. MILLS of Arkansas. That is correct, but that does not go into slots. If that is not enough, we will have to get more later on, because we are determined to put these people to work. That is the whole purpose of the bill.

Let me close, if there are no further questions, by apologizing, first, for trespassing on the time of my friends. It is the first time since I have been a Member of Congress that I have been down here for more than an hour. I did tell the Rules Committee I would yield for any and all questions. Tomorrow, when we get into the question of striking IV, I will have more to say about title IV for a limited period of time.

I do thank you. I do not care what your views are, I do not care what political philosophy you have. I believe I can assure you that this bill is a step in the right direction.

There is very little difference, frankly, within the committee. My good friend from Oregon will tell you his thinking tomorrow. We will yield to him to describe the proposal he had discussed in the committee. But under the rule you have adopted, his proposal cannot be offered now as a substitute for what is in the committee bill.

The question tomorrow will be whether you want the present system or a new approach, title IV of the bill. If title IV is better—and it is far better—vote "no" on the motion to strike. If you believe that this welfare mess is a mess, as I am convinced it is, let me assure you you should not strike title IV from the bill.

I believe it is a great improvement, a great improvement, and that within a 5-year period it will produce a program of less cost by far than will be the cost of the present welfare program. If you do not believe that, talk to your Governor.

I include the following:

SUMMARY OF PROVISIONS OF H.R. 1—THE "SOCIAL SECURITY AMENDMENTS OF 1971" AS REPORTED TO THE HOUSE OF REPRESENTATIVES ON MAY 26, 1971 (HOUSE REPORT No. 92-231)

I. PROVISIONS RELATING TO THE SOCIAL SECURITY CASH BENEFITS PROGRAM

Five-percent increase in social security benefits.—Social security benefits would be increased by 5 percent. The minimum benefit would be increased from $70.40 to $74.00 a month. The average old-age insurance benefit payable for the effective month would rise from an estimated $133 to $141 a month and the average benefit for aged couples would increase from an estimated $222 to $234 a month. Special benefits for persons age 72 and over who are not insured for regular benefits would be increased from $48.30 to $50.80 for individuals and from $72.50 to $76.20 for couples.

Effective date.—Benefits payable for June 1972.

Number of people affected and dollar payments.—27.4 million beneficiaries would become entitled to higher payments and 16,000 people would be made newly eligible. About $2.1 billion in additional benefits would be paid in the first full year.

Automatic increase in benefits, the contribution and benefit base, and in the earnings test

(*a*) Increases in benefits:

Social security benefits would be automatically increased according to the rise in the cost of living. Increases could occur only once a year, provided that the Consumer Price Index increased by at least 3 percent and that legislation increasing benefits had neither been enacted nor become effective in the previous year.

(*b*) Increases in contribution and benefit base:

In any year in which an automatic benefit increase becomes effective, the social security contribution and benefit base would be automatically increased according to the rise in average wages covered under the social security program (if wage levels had gone up sufficiently).

(c) Change in earnings test:

In any year in which an automatic benefit increase becomes effective, the exempt amount under the retirement test would be automatically increased in the same manner as the contribution and benefit base is increased—according to the rise in average wages covered by the program.

Effective date.—First possible increase effective for January 1974.

Special minimum primary insurance amounts

A special minimum benefit would be provided for people who worked for 15 or more years under social security. The benefit would be equal to $5 multiplied by the number of years of coverage the person has under the social security program, up to a maximum of 30 years. The highest minimum benefit under this provision would be $150 for a person who had 30 or more years of coverage. The special minimum would not be raised under the automatic benefit increase provisions.

Effective date.—January 1972.

Number of people affected and dollar payments.—300,000 people would get increased benefits on the effective date and $30 million in additional benefits would be paid in the first full year.

Increased widow's and widower's insurance benefits

A widow (or widower), including those already on the rolls, would be entitled to a benefit equal to 100 percent of the amount her deceased husband would be receiving if he were still living. Benefits applied for before age 65 would be reduced according to the widow's age at the time of application.

Effective date.—January 1972.

Number of people affected and dollar payments.—3.4 million people would receive increased benefits on the effective date, and $764 million in additional benefits would be paid in the first full year.

Increased benefits for those who delay retirement beyond age 65

A worker's old-age benefit would be increased by 1 percent for each year (one-twelfth of 1 percent for each month) in which the worker between ages 65 and 72 does not receive benefits because he is working after age 65. No increased benefit would be paid under the provision to the worker's dependents or survivors.

Effective date.—Prospective only for computations and recomputations after 1971 based on earnings after 1970.

Number of people affected and dollar payments.—400,000 people would receive increased benefits, and $11 million in additional benefits would be paid, in the first full year.

Age-62 computation point for men

Under present law, the method of computing benefits for men and women differs in that years up to age 65 must be taken into account in determining average earnings for men, while for women only years up to age 62 must be take into account. Also, benefit eligibility is figured up to age 65 for men and up to age 62 for women. Under the bill, these differences, which provide special advantages for women, would be eliminated by applying the same rules to men as now apply to women.

The new provision would become effective over a 3-year transition period. The number of years used in computing benefits for men would be reduced in three steps. Men who reach age 62 in 1972 would have only years up to age 64 taken into account; men who reach age 62 in 1973 would have only years up to age 63 taken into account; men reaching age 62 in 1974 or later would have only years up to age 62 taken into account indetermining average earnings. The number of quarters of coverage needed for insured status for men would also be reduced in three steps, with the first step in the reduction effective for January 1972 and subsequent reductions in 1973 and 1974.

Effective date.—Prospective only, in 3 annual steps, becoming fully effective for men reaching 62 in 1974 and after.

Dollar payments.—$6 million in additional benefits would be paid in the first full year.

Additional dropout years

One additional year of low earnings—in addition to the 5 years provided under present law—for each 15 years of covered work could be dropped in computing the average monthly wage on which benefit amounts are based.

Effective date.—Benefits payable on the basis of the earnings of people who reach age 62 or die after 1971 or whose first month of entitlement to disability insurance benefits is after December 1971.

Dollar payments.—$17 million in additional benefits would be paid in the first full year.

Election to receive actuarially reduced benefits in one category not to be applicable to certain benefits in other categories

Under present law, when a person receives a benefit in one benefit category that is reduced because it is taken before age 65, and also receives another benefit in a different benefit category beginning with the same month or a later month, the second benefit is generally reduced to reflect the reduction in the first benefit. For example, when a woman applies for a retirement benefit prior to age 65, it is reduced under the actuarial reduction formula; if she applies for a spouse's benefit at age 65 or later, it is reduced to take account of the fact that she took her retirement benefit early. The bill would eliminate the actuarial reduction of the spouse's benefit in such cases. The same rule would apply to men entitled to dependent husbands' benefits.

Effective date.—The sixth month following the month of enactment.

Number of people affected and dollar payments.—100,000 people would receive increased benefits on the effective date, and $20 million in additional benefits would be paid in the first full year.

Computation of benefits based on combined earnings

A working married couple each of whom had at least 20 years of covered earnings under the program after marriage could have their earnings for each year combined up to the maximum amount of taxable earnings for that year. If they elected to have their earnings combined, each member would receive a benefit equal to 75 percent of the benefit based on their combined earnings. Payments to the surviving spouse based on the combined earnings would continue at the 75-percent rate. Dependents' and other survivors' benefits would not be affected. The provision would be an alternative to present law and would apply only if higher payments would result.

Effective date.—Prospective only for people who attain age 62 in or after January 1972.

Dollar payments.—$11 million in additional benefits would be paid in the first full year.

Liberalization of the retirement test

The amount that a beneficiary under age 72 may earn in a year and still be paid full social security benefits for the year would be increased from the present $1,680 to $2,000. Under present law, benefits are reduced by $1 for each $2 of earnings between $1680 and $2880 and for each $1 of earnings above $2880. The bill would provide for a $1 reduction for each $2 of all earnings above $2000; there would be no $1-for-$1 reduction as under present law. Also, in the year in which a person attains age 72 his earnings in and after the month in which he attains age 72 would not be included, as under present law, in determining his total earnings for the year.

Effective date.—Taxable years ending after 1971.

Number of people affected and dollar payments.—In the first full year, 700,000 people would receive increased payments and 390,000 people who get no payments under present law could get some payments. Additional benefits amounting to $484 million would be paid in the first full year.

Reduced benefits for widowers at age 60

Widowers under age 62 could be paid reduced benefits (on the same basis as widows under present law) starting as early as age 60.

Effective date.—January 1972.

Childhood disability benefits

Childhood disability benefits would be paid to the disabled child of an insured retired, deceased, or disabled worker, if the disability began before age 22, rather than before 18 as under present law. In addition, a person who was entitled to childhood disability benefits could become re-entitled if he again becomes disabled within 7 years after his prior entitlement to such benefits was terminated.

Effective date.—January 1972.

Number of people affected and dollar payments.—13,000 additional people would become immediately eligible for benefits on the effective date, and $14 million in additional benefits would be paid in the first full year.

Continuation of student's benefits through end of semester

Payment of benefits to a child attending school would continue through the end of the semester or quarter in which the student (including a student in a vocational school) attains age 22 (rather than the month be-

fore he attains age 22) if he has not received, or completed the requirements for, a bachelor's degree from a college or university.

Effective date.—January 1972.

Number of people affected and dollar payments.—55,000 students would have their benefits continued beyond age 22, and $16 million in additional benefits would be paid, in the first full year.

Benefit-eligibility requirements for a child adopted by an old-age or disability insurance beneficiary

The provisions of present law relating to eligibility requirements for child's benefits in the case of adoption by old-age and disability insurance beneficiaries would be modified to make the requirements uniform in both cases. A child adopted after a retired or disabled worker becomes entitled to benefits would be eligible for child's benefits based on the worker's earnings if the child is the natural child or stepchild of the worker or if (1) the adoption was decreed by a court of competent jurisdiction within the United States, (2) the child lived with the worker in the United States for the year before the worker became disabled or entitled to an old-age or disability insurance benefit, (3) the child received at least one-half of his support from the worker for that year, and (4) the child was under age 18 at the time he began living with the worker.

Effective date.—January 1968.

Nontermination of child's benefits by reason of adoption

A child's benefit would no longer stop when the child is adopted.

Effective date.—Month of enactment.

Elimination of the support requirements for divorced women

Under present law, benefits are payable to a divorced wife age 62 or older and a divorced widow age 60 or older if her marriage lasted 20 years before the divorce, and to a surviving divorced mother. In order to qualify for any of these benefits a divorced woman is required to show that: (1) she was receiving at least one-half of her support from her former husband, (2) she was receiving substantial contributions from her former husband pursuant to a written agreement, or (3) there was a court order in effect providing for substantial contributions to her support by her former husband. The bill would eliminate these support requirements for divorced wives, divorced widows, and surviving divorced mothers.

Effective date.—January 1972.

Number of people affected and dollar payments.—10,000 additional women would become immediately eligible for benefits on the effective date, and $18 million in additional benefits would be paid in the first full year.

Waiver of duration-of-marriage requirement in case of remarriage

The duration-of-marriage requirement in present law for entitlement to benefits as a worker's widow, widower, or stepchild—that is, the period of not less than nine months immediately prior to the day on which the worker died that is now required (except where death was accidental or in the line of duty in the uniformed service, in which case the period is three months)—would be waived in cases where the worker and his spouse were previously married, divorced, and remarried, if they were married at the time of the worker's death and if the duration-of-marriage requirement would have been met at the time of the divorce had the worker died then.

Effective date.—January 1972.

Disability insured status for individuals who are blind

Under present law, to be insured for disbility insurance benefits a worker must be fully insured and meet a test of substantial recent covered work (generally 20 quarters of coverage in the period of 40 calendar quarters preceding disablement). The bill would eliminate the test of recent attachment to covered work for blind people; thus a blind person would be insured for disability benefits if he is fully insured—that is, he has as many quarters of coverage as the number of calendar years that elapsed after 1950 (or the year he reached age 21, if later) and up to the year in which he became disabled.

Effective date.—January 1972.

Number of people affected and dollar payments.—30,000 additional people would become immediately eligible for benefits on the effective date, and $29 million in additional benefits would be paid in the first full year.

Wage credits for members of the uniformed services

Present law provides for a social security noncontributory wage credit of up to $300 in addition to contributory credit for basic pay, for each calendar quarter of military service after 1967. Under the bill, the additional noncontributory wage credits would also be provided for service during the period January 1957 (when military service came under contributory social security coverage) through December 1967.

Effective date.—January 1, 1972.

Number of people affected and dollar payments.—130,000 additional people would receive larger benefits on the effective date, and $39 million in additional benefits would be paid in the first full year.

Reduction in waiting period for disability benefits

The present 6-month period throughout which a person must be disabled before he can be paid disability benefits would be reduced by one month (to 5 months).

Effective date.—January 1972.

Number of people affected and dollar payments.—950,000 people would receive increased benefits, and $105 million in additional benefits would be paid in the first full year.

Disability insurance benefits applications filed after death

Disability insurance benefits (and dependents' benefits based on a worker's entitlement to disability benefits) would be paid to the disabled worker's survivors if an application for benefits is filed within 3 months after the worker's death, or within 3 months after enactment of this provision.

Eective date.—For deaths occurring after 1969.

Disability benefits affected by the receipt of workmen's compensation

Under the presesnt law, social security disability benefits must be reduced when workmen's compensation is also payable if the combined payments exceed 80 percent of the worker's average current earnings before disablement. Average current earnings for this purpose can be computed on two different bases and the larger amount will be used. The bill adds a third alternative base, under which a worker's average current earnings can be based on the one year of his highest earnings in a period consisting of the year of disablement and the five preceding years.

Effective date.—January 1972.

Number of people affected and dollar payments.—65,000 people would receive increased benefits on the effective date, and $4 million in additional benefits would be paid in the first full year.

Optional determination of self-employment earnings

Self-employed persons could elect to report for social security purposes two-thirds of their gross income from nonfarm self-employment, but not more than $1,600. (This optional method of reporting is similar to the option available under present law for farm self-employment.) A regularity of coverage requirement would have to be met and the option could be used only five times by any individual.

Effective date.—Taxable years beginning after 1971.

Payments by an employer to the survivor or estate of a former employee

Amounts earned by an employee which are paid after the year of his death to his survivors or his estate would be excluded from coverage. Under present law, such wages are covered and social security taxes must be paid on these wages but the wages cannot be used to determine eligibility for or the amount of social security benefits.

Effective date.—January 1972.

Coverage of members of religious orders who are under a vow of poverty

Social security coverage would be made available to members of religious orders who have taken a vow of poverty, if the order makes an irrevocable election to cover these members as employees of the order.

Effective date.—Upon enactment.

Self-employment income of certain individuals living temporarily outside the United States

Under present law, a U.S. citizen who retains his residence in the United States but who is present in a foreign country or countries for approximately 17 months out of 18 consecutive months, must exclude the first $20,000 of his earned income in computing his taxable income for social security and income tax purposes. The bill would provide that U.S. citizens who are self-employed outside the U.S. and who retain their residence in the United States would not exclude the first $20,000 of earned income for social security purposes and would compute their earnings from self-employment for social security purposes in the same way as those who are self-employed in the U.S.

Effective date.—Taxable years beginning after 1971.

Penalty for furnishing false information to obtain a social security number

Provides criminal penalties when an individual furnishes false information in applying for a social security number with intent to deceive the Secretary as to his true identity.

Trust fund expenditures for rehabilitation services

Provides an increase in the amount of social security trust fund monies that may be used to pay for the costs of rehabilitating social security disability beneficiaries. The amount would be increased from 1 percent of the previous year's disability benefits (as under present law) to 1¼ percent for fiscal year 1972 and to 1½ percent for fiscal year 1973 and subsequent years.

Dollar payments.—Additional payments for the cost of vocational rehabilitation services would amount to $17 million in the first full year.

Other OASDI amendments

Other changes relate to social security coverage of policemen and firemen in Idaho, public hospital employees in New Mexico, Federal Home Loan Bank employees, employees of the Government of Guam, and students employed by certain nonprofit organizations; retroactive payments for certain disabled people; social security benefits for a child entitled on the earnings record of more than one worker; benefits for certain dependent grandchildren; recomputation of benefits to survivors of a deceased worker who was entitled to both social security and railroad retirement benefits; authorization for the Managing Trustee of the social security

trust funds to accept money gifts or bequests; and preserving the amount of a family's benefit when the worker's benefit is increased.

II. PROVISIONS RELATING TO MEDICARE, MEDICAID, AND MATERNAL AND CHILD HEALTH

A. Eligibility and payment for benefits

Extending health insurance protection to disabled beneficiaries

Health insurance protection under title XVIII would be extended to persons entitled to monthly cash benefits under the social security and railroad retirement programs because they are disabled, after they have been entitled to disability benefits for at least two years.

Effective date.—July 1972.

Number of people affected and dollar payments.—About 1.5 million disabled social security and railroad beneficiaries would be eligible for both hospital benefits and physician coverage under medicare. About $1.85 billion in benefits would be paid on behalf of disabled beneficiaries in the first full year of the program.

Hospital insurance for the uninsured

People reaching age 65 who are ineligible for hospital insurance benefits under medicare would be able to enroll, on a voluntary basis, for hospital insurance coverage under the same conditions under which people can enroll under the supplementary medical insurance part of medicare. Those who enroll would pay the full cost of the protection—$31 a month at the beginning of the program—rising as hospital costs rise. States and other organizations, through agreements with the Secretary, would be permitted to purchase such protection on a group basis for their retired (or active) employees age 65 or over.

Effective date.—January 1972.

Amount of supplementary medical insurance premium

The supplementary medical insurance premium will be determined as under present law for months through June 1972 ($5.30 through June 1971 and $5.60 from July 1971 through June 1972.) Thereafter, the Secretary of Health, Education, and Welfare would, as under present law, determine and promulgate for each year a monthly enrollee premium for both aged and disabled. However, the enrollee premiums would be increased only in the event of the enactment of legislation providing for a general benefit increase or in the event of an automatic general benefit increase. In any given year, the premium would rise by no more than the percentage by which cash benefits had been increased across the board in the interval since the premium was last increased. The premium amount paid by the beneficiary would never exceed one-half of total program costs.

Effective date.—July 1972.

Change in supplementary medical insurance deductible

The Medicare part B deductible, currently $50 per year, would be increased to $60.

Effective date.—January 1972.

Coinsurance under hospital insurance and the lifetime reserve

Coinsurance equal to one-eighth of the inpatient hospital deductible would be imposed for each day of inpatient hospital coverage during a benefit period beginning with the 31st day and continuing through the 60th day. This amount is now $7.50, but would increase as the inpatient hospital deductible increases (as hospital costs rise). (Coinsurance for the 61st through the 90th day would remain equal to one-fourth of the inpatient hospital deductible.) The lifetime reserve, under which the beneficiary pays one-half of the hospital deductible, would be increased from 60 days to 120 days.

Effective date.—Hospital stays beginning after 1971.

Automatic enrollment for supplementary medical insurance

People entitled to hospital insurance benefits would be automatically enrolled and covered for supplementary medical insurance benefits unless they indicate they do not want to be enrolled for such coverage.

Effective date.—January 1972.

Incentives for comprehensive care under medicaid

Incentives would be created for States to contract with health maintenance organizations or similar facilities. At the same time, disincentives would be provided to discourage prolonged stays in institutions. Specifically, there would be—

(1) an increase of 25 percent (up to maximum of 95 percent) in the Federal Medicaid matching percentage to States under contract with HMO's or other comprehensive health care facilities;

(2) a decrease in the Federal medical assistance percentage by one-third after the first 60 days of care in a general or TB hospital;

(3) a reduction in the Federal percentage by one-third after the first 60 days of care in a skilled nursing home unless the State establishes that it has an effective utilization review program;

(4) a decrease in Federal matching by one-third after 90 days of care in a mental hospital and provision for no Federal matching after 275 additional days of such care during an individual's lifetime except that the 90-day period may be extended for an additional 30 days if a doctor certifies that the patient will benefit therapeutically from such an additional period of hospitalization; and

(5) authority for the Secretary to compute a reasonable cost differential for reimbursement between skilled nursing homes and intermediate care facilities.

Effective date.—July 1, 1971, except that the reasonable cost differential provision would be effective January 1, 1972.

Cost-sharing under medicaid

The Secretary of Health, Education, and Welfare would be able to require the payment of a premium, related to income, for those eligible as medically indigent (noncash recipients) under a State medicaid program. In addition, states would be permitted to impose a nominal cost sharing with respect to cash recipients, but applying only to services not required to be provided under the State program. States could apply copayment provisions to the medically indigent which are not related to income.

Effective date.—July 1, 1972.

Determination of payments under medicaid

Families eligible for cash assistance would have a deductible under medicaid equal to one-third of the family's earnings above $720 (after deducting the earnings of school children and any costs of required child care) less the difference between the medicaid standard and the payment standard, if any, in that State. All States would be required to impose such a deductible. Any family with income below the State medicaid standard would be eligible for medicaid assistance.

Effective date.—July 1, 1972.

Relationship between medicare and Federal employees benefits

Effective with January 1, 1975, no payment would be made under medicare for the same services covered under a Federal employees health benefits plan, unless in the meantime the Secretary of Health, Education, and Welfare certifies that such plan or the Federal employees health benefits program has been modified to make available coverage supplementary to medicare benefits and that Federal employees and retirees age 65 and over will continue to have the benefit of a contribution toward their health insurance premiums from either the Government or the individual plan.

Effective date.—January 1975.

Medicare benefits for people living near United States border

Medicare beneficiaries living in border areas of the United States would be entitled to covered inpatient hospital care outside the United States if the hospital they use is closer to their residence than a comparable United States hospital and if it has been accredited by a hospital approval program with standards comparable to medicare standards. Coverage would also be extended in these cases to physicians' and ambulance services furnished in conjunction with covered foreign hospital care.

Effective date.—January 1972.

B. Improvements in operating effectiveness

Limitation on Federal participation for capital expenditures

Reimbursement amounts to providers of health services and health maintenance organizations under the medicare, medicaid, and maternal and child health programs for capital costs, such as depreciation and interest, would not be made with respect to large capital expenditures which are inconsistent with State or local health facility plans. States would be required to establish procedures by which a facility or organization proposing a capital expenditure may appeal a decision by a planning agency.

Effective date.—July 1972 (or earlier if requested by a State).

Experiments and Demonstration Projects in Prospective Reimbursement and Incentives for economy

The Secretary of Health, Education, and Welfare would be required to develop experiments and demonstration projects designed to test various methods of making payment to providers of services on a prospective basis under the medicare, medicaid, and maternal and child health programs. In addition, the Secretary would be authorized to conduct experiments with methods of payment or reimbursement designed to increase efficiency and economy (including payment for services furnished by organizations providing comprehensive, mental, or ambulatory health care services); with areawide or communitywide peer review, utilization review, and medical review mechanisms; and with performance incentives for intermediaries and carriers.

Effective date.—Enactment.

Limits on Cost recognized as Reasonable

The Secretary of Health, Education, and Welfare would be given authority to establish and promulgate limits on provider costs to be recognized as reasonable under medicare based on comparisons of the cost of covered services by various classes of providers in the same geographical area. Hospitals and extended care facilities could charge beneficiaries for the costs of services in excess of those that are found necessary to the efficient delivery of needed health services (except in the case of an admission by a physician who has a financial interest in the facility).

Effective date.—July 1972.

Limits on Prevailing Charge Levels

Physicians' charges determined to be reasonable under the present criteria in the medicare, medicaid, and maternal and child health law would be limited by providing: (a) that after December 31, 1970, medical charge levels recognized as prevailing may not be increased beyond the 75th percentile of actual charges in a locality during the calendar year elapsing prior to the start of the fiscal year; (b) that for fiscal year 1973 and thereafter the prevailing charge levels recognized for a locality may be increased, in the aggregate, only to the extent justified by indexes reflecting changes in costs of

practice of physicians and in earnings levels; and (c) that for medical supplies, equipment, and services that, in the judgment of the Secretary, generally do not vary significantly in quality from one supplier to another, charges allowed as reasonable may not exceed the lowest levels at which such supplies, equipment, and services are widely available in a locality. The existing Health Insurance Benefits Advisory Council is to conduct a study of the methods of reimbursement of physicians' fees under medicare and report to the Congress not later than July 1, 1972.

Effective date.—(See provision.)

Limits on skilled nursing home and intermediate care facility costs

The average per diem costs for skilled nursing homes and intermediate care facilities countable for Federal financial participation under medicaid would be limited to 105 percent of such costs for the same quarter of the preceding year. Increases resulting from higher labor costs due to minimum wage legislation would not count in computing the cost figure.

Effective date.—January 1, 1972.

Payments to health maintenance organizations

Medicare beneficiaries could choose to have all covered care, except emergency services, provided by a health maintenance organization (a prepaid group health or other capitation plan). The Department of Health, Education, and Welfare would contract with such organization, and would reimburse them on a monthly per capita basis at a rate equivalent to 95 percent of the estimated per capita costs of medicare beneficiaries in the area who are not enrolled in such organizations. Profits accruing to the organization, beyond its retention rate for nonmedicare members, would be passed on to the medicare enrollees in the form of expanded benefits.

Effective date.—January 1972.

Payments for services of teaching physicians

Medicare would pay for the services of teaching physicians on the basis of reasonable costs, rather than fee-for-service charges, unless a bona fide private patient relationship had been established or the hospital had, in the 2-year period ending in 1967, and substantially, customarily charged all patients and collected from at least 50 percent of patients on a fee-for-service basis. Medicare payments would also be authorized on a cost basis for services provided to hospitals by the staff of certain medical schools.

Effective date.—Accounting periods beginning after June 30, 1971.

Advance approval of extended care and home health services under medicare

The Secretary of Health, Education, and Welfare would be authorized to establish minimum periods of time (by medical condition) after hospitalization during which a patient would be presumed, for payment purposes, to require extended care level of services in an extended care facility. The attending physician would certify to the condition and related need for the services. A similar provision would apply to post-hospital home health services.

Effective date.—January 1972.

Termination of payments to suppliers of services who abuse the medicare or medicaid programs

The Secretary of Health, Education, and Welfare would be given authority to terminate payment for services rendered by a supplier of health and medical services found to be guilty of program abuses. Program review teams would be established to furnish the Secretary professional advice in carrying out this authority.

Effective date.—Enactment.

Elimination of requirement that States have comprehensive medicaid programs

The existing requirement that States have comprehensive medicaid programs by 1977 would be repealed.

Effective date.—Enactment.

Reductions in care and services under medicaid

The states would be permitted to eliminate or reduce the scope and extent of health services which are optional under the Federal medicaid statute, e.g., outpatient drugs, eyeglasses and dental care. States would have to provide the same dollar amounts for their required health services.

Effective date.—Enactment.

State determinations of reasonable hospital costs under medicaid

States would be allowed to develop methods and standards for reimbursing the reasonable cost of inpatient hospital services. Such costs could not exceed medicare rates.

Effective date.—July 1, 1972, or earlier if a State plan so provides.

Government payment no higher than charges

Payments for institutional services under the medicare, medicaid, and maternal and child health programs could not be higher than the charges regularly made for these services.

Effective date.—July 1971.

Institutional planning under medicare

Health institutions under the medicare program would be required to have a written plan reflecting an operating budget and a capital expenditure budget.

Effective date.—Sixth month following month of enactment.

Federal matching for automated medicaid systems

Federal matching for the cost of designing, developing, and installing mechanized claims processing and information retrieval systems would be set at 90 percent and 75 percent for operation of such systems.

Effectve date.—July 1, 1971.

Prohibition of reassignments

Medicare (part B) and medicaid payments to anyone other than a patient, his physician, or other person providing the service, would be prohibited, unless the physician (or, in the case of medicaid, another type of practitioner) is required as a condition of his employment to turn over his fees to his employer or unless there is a contractual arrangement between the physician and the facility in which the services were provided under which the facility bills for all such services.

Effective date.—Enactment date for medicare; July 1, 1972 (or earlier at the option of the State) for medicaid.

Institutional utilization review under medicaid

The same utilization review committees now reviewing medicare cases in hospitals and nursing homes would be required to review medicaid cases in institutions utilized by medicare.

Stopping payment where hospital admission not necessary under medicare

If the utilization review committee of a hospital or extended care facility, in its sample review of admissions, finds a case where institutionalization is no longer necessary, payment would be cut off after 3 days. This provision parallels the provision in present law under which long-stay cases are cut off after 3 days when the utilization review committee determines that institutionalization is no longer required.

Effective date—Third month following the month of enactment.

Use of health agencies in medicaid

State medicaid programs would be required—

(1) To establish and implement plans, prepared by the State health agency, or other appropriate State medical agency, for the professional review of care provided to medicaid recipients, and

(2) Provide that the State medical agency which licenses health institutions shall perform that function for medicaid.

Effective date.—July 1, 1972.

Medicaid and comprehensive health care programs

A state medicaid plan would not be out of compliance if it arranged for medicaid care through a comprehensive health plan in one or more areas which provided more services than are generally provided under the State's medicaid plan.

Effective date.—Enactment.

Program for determining qualifications for certain health care personnel

The Secretary of Health, Education, and Welfare would be required to develop and employ proficiency examinations to determine whether health care personnel, not otherwise meeting specific formal criteria now included in medicare regulations, have sufficient training, experience, and professional competence to be considered qualified personnel for purposes of the medicare and medicaid program.

Effective date.—Enactment.

Penalty for fraudulent acts under medicare and medicaid

Present penalty provisions relating to the making of a false statement or representation of a material fact in any application for medicare payments would be broadened to include the soliciting, offering, or acceptance of kickbacks or bribes, including the rebating of a portion of a fee or a charge for a patient referral, by providers of health care services. The penalty for such acts would be imprisonment up to one year, a fine of $10,000, or both. Similar penalty provisions would apply under medicaid.

Anyone who knowingly and willfully makes, or induces the making of, a false statement of material fact with respect to the conditions and operation of a health care facility or home health agency in order to secure medicare or medicaid certification of the facility or agency, would be guilty of a misdemeanor punishable by up to 6 months' imprisonment, a fine of not more than $2,000, or both.

Effective date.—Enactment.

C. Miscellaneous and technical provisions

Physical therapy and other therapy services under medicare

Under medicare's supplementary medical insurance program, up to $100 per calendar year of physical therapy services furnished by a licensed therapist in his office or the patient's home under a physician's plan would be included in covered charges. Hospitals and extended care facilities could provide physical therapy services under part B to inpatients who have exhausted their days of hospital insurance coverage. Where physical therapy and other ancillary services are furnished by a provider of services, or by others under arrangements with the provider, medicare reimbursement to the provider would in all cases be based on a reasonable salary payment for the services.

Effective date.—January, 1972.

Coverage of supplies related to colostomies

Medicare coverage would be provided for colostomy bags and supplies directly related to colostomy care.

Effective date.—Enactment.

Ptosis bars

Coverage would be provided under part B of medicare for ptosis bar devices required

for the care of individuals suffering from paralysis or atrophy of the eyelid muscle.

Effective date.—Enactment.

Intermediate care facilities under medicaid

The provisions for optional coverage of intermediate care facilities would be moved from title XI of the Act (here it applies, by reference to the cash assistance titles) to the XIX as an optional service. Services in a public institution for the mentally retarded could qualify if the primary purpose is to provide health or rehabilitation services and if the patient is receiving active treatment.

Effective date.—January 1, 1972.

Coverage prior to application under medicaid

States would be required to provide medicaid coverage for care and services furnished in or after the third month prior to the application of an eligible person.

Effective date.—July 1, 1972.

Certification of hospitalization for dental care

A dentist would be authorized to certify the necessity for hospitalization to protect the health of a medicare patient who is hospitalized for a noncovered dental procedure.

Effective date.—Third month after month of enactment.

Grace period for paying medical premium

Where there is good cause for a medicare beneficiary's failure to pay supplementary medical insurance premiums, an extended grace period of 90 days would be provided.

Effective date.—Enactment.

Extension of time for filing medicare claims

The time limit for filing supplementary medical insurance claims would be extended where the medicare beneficiary's delay is due to administrative error.

Effective date.—Enactment.

Waiver of enrollment period requirements where administrative error is involved

Relief would be provided where administrative error has prejudiced an individual's right to enroll in medicare's supplementary medical insurance program.

Effective date.—July 1966.

Three-year limitation on medicare enrollment dropped

Eligible beneficiaries would be permitted to enroll under medicare's supplementary medical insurance program during any prescribed enrollment period. Beneficiaries would no longer be required to enroll within 3 years following first eligibility or a previous withdrawal from the program.

Effective date.—Enactment.

Waiver of medicare overpayment

Where incorrect medicare payments were made to a deceased beneficiary, the liability of survivors for repayment could be waived if the survivors were without fault in incurring the overpayment.

Effective date.—Enactment.

Medicare fair hearings

Fair hearings, held by medicare carriers in response to disagreements over amounts paid under supplementary medical insurance, would be conducted only where the amount in controversy is $100 or more.

Effective date.—Enactment.

Collection of medicare premium by the railroad retirement board

Where a person is entitled to both railroad retirement and social security monthly benefits, his premium payment for supplementary medical insurance benefits would be deducted from his railroad retirement benefit in all cases. The Railroad Retirement Board is given authority to choose the carrier for part B benefits for its beneficiaries.

Effective date.—Applicable to premiums becoming due after the fourth month following the month of enactment.

Prosthetic lenses furnished by optometrists

The definition of physician, for purposes of the medicare program, would be amended to include a licensed doctor of optometry, but only with respect to establishing the medical necessity of prosthetic lenses (which are already covered under the program).

Effective date.—Enactment.

Social Services Requirement in Extended Care Facilities

The present requirement for social services in extended care facilities under medicare would be removed.

Effective date.—Enactment.

Refund of Excess Premiums

In the event of the death of a medicare beneficiary, any hospital or medical insurance premiums paid for any month after the month of his death will be refunded to his estate or to a survivor.

Effective date.—Enactment.

Waiver of Requirement for Skilled Nursing Homes in Rural Areas

The requirement that skilled nursing homes under medicaid have at least one full-time registered nurse on the staff would be waived for up to one year at a time over a five-period where the skilled nursing home is in a rural area and certain other conditions are met.

Effective date.—Enactment.

Exemption of Christian Scientist Sanatoriums From Certain Requirements Under Medicaid

Christian Scientist sanatoriums under medicaid would be exempted from provisions in the bill which require certain health-related functions or conditions.

Effective date.—Enactment

Requirements for Nursing Home Administrators

States would be permitted to provide under medicaid for a permanent waiver of a nursing home administrator who had been such an administrator for more than 3 years before the time the basic provision became effective (July 1970).

Effective date.—Enactment.

Termination of Nursing Home Administration Advisory Council

The National Advisory Council on Nursing Home Administrations under medicaid would be terminated.

Effective date.—Thirty days after enactment.

Increase in limit on payments to Puerto Rico for medicaid

The present limit of $20 million on the annual Federal payment for medicaid would be raised to $30 million. The present matching rate of 50 percent would be retained.

Effective date.—Fiscal year 1972.

Provider reimbursement review board under medicare

Providers of services, under certain circumstances, would be permitted to appeal to a review board (established by the Secretary specifically to conduct such reviews) from a decision of the fiscal intermediary concerning the amount of program reimbursement, if the amount in controversy is at least $10,000.

Chiropractors' Services

The Secretary of Health, Education, and Welfare would conduct a study of the desirability of covering chiropractors' services under medicare, utilizing the experiments and experience under the medicaid program. A report on the study, including the experience of other programs paying for chiropractors' services, would be submitted to the Congress within 2 years after enactment of the bill.

Effective date.—Enactment.

Extension of title V to American Samoa and the Trust Territory of the Pacific

The crippled children and maternal and child health provisions of title V of the Act would be extended to American Samoa and the Trust Territory of the Pacific.

Effective date.—Fiscal years beginning after June 30, 1971.

Financing OASDHI

In order to finance the changes in the OASDHI program as amended by the bill, the limit on taxable earnings would be increased to $10,200 effective January 1972 and the following schedule of OASDI and HI tax rates would be provided:

SOCIAL SECURITY TAX RATES AND MAXIMUM ANNUAL SOCIAL SECURITY TAXES FOR EMPLOYEES, EMPLOYERS, AND SELF-EMPLOYED

	Employees and employers, each				Self-employed			
	OASDI, percent	HI, percent	Total, percent	Maximum tax	OASDI, percent	HI, percent	Total percent	Maximum tax
Present law:								
1971 [1]	4.6	0.6	5.2	$405.60	6.9	0.6	7.5	$585.00
1972 [2]	4.6	.6	5.2	468.00	6.9	.6	7.5	675.00
1973–75 [2]	5.0	.65	5.65	508.50	7.0	.65	7.65	688.50
1976–79 [2]	5.15	.7	5.85	526.50	7.0	.6	7.7	693.00
1980–86 [2]	5.15	.8	5.95	535.50	7.0	.8	7.8	702.00
1987 and after [2]	5.15	.9	6.05	544.50	7.0	.9	7.9	711.00
H.R. 1 (excluding effect of the automatic adjustment provisions):								
1971 [1]	4.6	.6	5.2	405.60	6.9	.6	7.5	585.00
1972 [3]	4.2	1.2	5.4	550.80	6.3	1.2	7.5	765.00
1975–76 [3]	5.0	1.2	6.2	632.40	7.0	1.2	8.2	836.40
1977 ed after [3]	6.1	1.3	7.4	754.80	7.0	1.3	8.3	846.60

[1] Tax rates apply to annual earnings up to $7,800.
[2] Tax rates apply to annual earnings up to $9,000.
[3] Tax rates apply to annual earnings up to $10,200.

III. PROVISIONS RELATING TO ASSISTANCE FOR THE AGED, BLIND, AND DISABLED

The existing Federal-State programs of aid to the aged, blind, and permanently and totally disabled would be repealed, effective July 1, 1972, and a new, totally Federal program would be effective on that date. The new national program is designed to provide financial assistance to needy people who have reached age 65 or are blind or disabled and would be established by a new Title XX of the Social Security Act. The program would be administered by the Social Security Administration through its present administrative framework and facilities.

The eligibility requirements and other

legislative elements of the new program are as follows:

Eligibility for and amount of benefits

Individuals or couples could be eligible for assistance when their monthly income is less than the amount of the full monthly payment.

Ful monthly benefits for a single individual would be $130 for fiscal year 1973; $140 for fiscal year 1974, and $150 thereafter. Full monthly benefits for an individual with an eligible spouse would be $195 for fiscal year 1973, and $200 for fiscal year 1974 and thereafter. Benefits would not be paid for any full month the individual is outside the U.S.

The Secretary would establish the circumstances under which gross income from a trade or business, including farming, is large enough to preclude eligibility (net income notwithstanding). In addition, people who are in certain public institutions, or in hospitals or nursing homes getting medicaid funds, would be eligible for benefits of up to $25 a month. People who fail to apply for annuities, pensions, workmen's compensation, and other such payments to which they may be entitled would not be eligible.

Definition of income

In determining an individual's eligibility and the amount of his benefits, both his earned and unearned income would have to be taken into consideration. The definition of earned income would follow generally the definition of earnings used in applying the earnings limitation of the social security program. Unearned income would mean all other forms of income, among which are benefits from other public and private programs, prizes and awards, proceeds of life insurance not needed for expenses of last illness and burial (with a maximum of $1,500), gifts, support, inheritances, rents, dividends, interest, and so forth. For people who live as members of another person's household, the value of their room and board would be deemed to be 33⅓ percent of the full monthly payment.

The following items would be excluded from income:

1. Earnings of a student regularly attending school, with reasonable limits.
2. Irregular earned income of an individual of $30 or less in a quarter and irregular unearned income of $60 or less in a quarter.
3. The first $85 of earnings per month and one-half above that for the blind and disabled (plus work expenses for the blind). The first $60 of earnings per month and one-third above that for the aged.
4. The tuition part of scholarships and fellowships.
5. Home produce.
6. One-third of child-support payments from an absent parent.
7. Foster care payments for a child placed in the household by a child-placement agency.
8. Assistance based on need received from certain public or private agencies.
9. Vocational rehabilitation allowances.

Exclusions from resources

Individuals or couples cannot be eligible for payments if they have resources in excess of $1,500. The following items would be excluded from resources:

1. The home to the extent that its value does not exceed a reasonable amount.
2. Household goods and personal effects not in excess of a reasonable amount.
3. Other property which is essential to the individual's support (within reasonable value limitations).
4. Life insurance policies (if their total face value is $1,500 or less).

Other insurance policies would be counted only to the extent of their cash surrender value.

The Secretary would prescribe periods of time and manners in which excess property must be disposed of in order that it not be included as resources.

Meaning of terms

An eligible individual must be a resident of the United States, Puerto Rico, the Virgin Islands, or Guam and a citizen or an alien admitted for permanent residence, and be aged, blind, or disabled.

Aged individual: One 65 years of age or older.

Blind individual: An individual who has central visual acuity of 20/200 or less in the better eye with the use of a correcting lens, or equivalent impairment in the fields of vision.

Disabled individual: An individual who is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which is expected to last, or has lasted, for 12 months or can be expected to end in death. (This definition is now used for social security disability benefits.)

Eligible spouse: An aged, blind, or disabled individual who is the husband or wife of an individual who is aged, blind, or disabled.

Child: An unmarried person who is not the head of a household and who is either under the age of 18, or under the age of 22 and attending school regularly.

Determination of marital relationship: Appropriate State law will apply except that, if two people were determined to be married for purposes of receiving social security cash benefits, they will be considered to be married, and two persons holding themselves out as married in the community in which they live would be considered married for purposes of this program.

Income and resources of a spouse living with an eligible individual will be taken into account in determining the benefit amount of the individual, whether or not the income and resources are available to him. Income and resources of a parent may count as income of a disabled or blind child.

Rehabilitation services

Disabled and blind beneficiaries would be referred to State agencies for vocational rehabilitation services. A beneficiary who refused without good cause any vocational rehabilitation services offered would not be eligible for benefits.

Optional State supplementation

A State which provides for a State supplement to the Federal payment could agree to have the Federal Government make the supplemental payments on behalf of the State. If a State agrees to have the Federal Government make its supplemental payments, the Federal Government would pay the full administrative costs of making such payments, but if it makes its own payments, the State would pay all of such costs.

States could but would not be required to cover under medicaid persons who are made newly eligible for cash benefits under the bill.

The Federal government, in administering supplemental benefits on behalf of a State, would be required to recognize a residency requirement if the State decided to impose such a requirement.

Payments and procedures

Benefits could be paid monthly, or otherwise, as determined by the Secretary of Health, Education, and Welfare. Benefits could be paid to an individual, an eligible spouse, partly to each, or to another interested party on behalf of the individual. The Secretary could determine ranges of incomes to which a single benefit amount may be applied.

Cash advances of up to $100 could be paid if an applicant appears to meet all the eligibility requirements and is faced with a financial emergency. Applicants apparently eligible for benefits on the basis of disability could be paid benefits for up to three months while their disability claim was in process.

The Secretary may arrange for adjustment and recovery in the event of overpayments or underpayments, and could waive overpayments to achieve equity and avoid penalizing people who were without fault.

People who are, or claim to be, eligible for benefits and who disagree with determinations of the Secretary, could obtain hearings if they request them within 30 days. Final determinations would be subject to judicial review in Federal district courts, but the Secretary's decisions as to any fact would be conclusive and not subject to review by the courts.

The right of any person to any future benefit would not be transferable or assignable, and no money payable under the program would be subject to execution, levy, attachment, garnishment, or other legal process.

If an individual fails to report events and changes relevant to his eligibility without good cause, benefits which may be payable to the individual would be terminated or reduced.

The heads of other Federal agencies would be required to provide such information as the Secretary of HEW needs to determine eligibility for benefits.

Penalties for fraud

A penalty of up to $1,000 or up to one year imprisonment, or both, would be provided in case of fraud under the program.

Administration

The Secretary of HEW may make administrative and other arrangements as necessary to carry out the purposes of the program and the States could enter into agreements to administer the Federal benefits during a transitional period.

Evaluation and research

The Secretary of HEW would continually evaluate the program, including its effectiveness in achieving its goals and its impact on related programs. He could conduct research and contract for independent evaluations of the program. Up to $5 million a year would be appropriated to carry out the evaluation and research. Annual reports to the President and the Congress on the operation and administration of the program would be required.

IV. PROVISIONS RELATING TO FAMILY PROGRAMS

The present program of aid to families with dependent children (AFDC) would be repealed effective July 1, 1972, and two new totally Federal programs would take effect on that day. The new programs would be adopted for a period of five years (through fiscal year 1977) in order to give Congress an opportunity to review their operation before continuing them in subsequent years. The new programs would be established by a new Title XXI in the Social Security Act. A description of the two new programs follows:

Families in which at least one person is employable would be enrolled in the Opportunities for Families Program, administered by the Department of Labor. Families with no employable person would be enrolled in the Family Assistance Plan administered by the Department of Health, Education, and Welfare.

A—Opportunities for Families program

Registration for employment and training

Every member of a family who is found to be available for work by the Secretary of Health, Education, and Welfare would be required to register for manpower services, training and employment.

An individual would be considered available for work unless such person—

(1) Is unable to work or be trained because of illness, incapacity, or age;

(2) Is a mother or other relative caring for a child under age 6 (age 3 beginning July 1974);

(3) Is the mother or other female caretaker of a child, if the father or another adult male relative is in the home and is registered.

(4) Is a child under the age of 16 (or a student up to age 22);

(5) Is needed in the home on a continuous basis because of illness or incapacity of another family member.

Nevertheless, any person (except one who is ill, incapacitated, or aged) who would be exempted from registering by the above provisions could voluntarily register.

Every person who registered (other than a volunteer) would be required to participate in manpower services or training and to accept available employment. An individual could not be required to accept employment however—

(1) If the position offered is vacant due to a strike, lockout, or other labor dispute;

(2) If the wages and other employment conditions are contrary to those prescribed by applicable Federal, State, or local law, or less favorable than those prevailing for similar work in the locality, or the wages are less than an hourly rate of ¾ of the highest Federal minimum wage ($1.20 per hour under present law);

(3) If membership in a company union or non-membership in a bona fide union is required;

(4) If he has demonstrated the capacity to obtain work that would better enable him to achieve self-sufficiency, and such work is available.

Child care and other supportive services

The Secretary of Labor directly or by using child care projects under the jurisdiction of the Department of Health, Education, and Welfare, would provide for child care services for registrants who require them in order to accept or continue to participate in manpower services, training, employment, or vocational rehabilitation.

The Secretary of Labor would be authorized funds to provide child care by grant or contract. Families receiving such services might also be required to pay all or part of the costs involved.

Health, vocational rehabilitation, family planning, counseling, social, and other supportive services (including physical examinations and minor medical services) would also be made available by the Secretary of Labor to registrants as needed.

Operation of manpower services, training and employment programs

The Secretary of Labor would develop an employability plan designed to prepare recipients to be self-supporting. The Secretary would then provide the necessary service, training, counseling, testing coaching, program orientation, job training, and followup services to assist the registrant in securing employment, retaining employment, and obtaining opportunities for advancement.

Provision would also be made for voluntary relocation assistance to enable a registrant and his family to be self-supporting.

Public service employment programs would also be used to provide needed jobs. Public service projects would be related to the fields of health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facility and similar activities. The Secretary of Labor would establish these programs through grants or by contract with public or nonprofit agencies or organizations. The law would provide safeguards for workers on such jobs and wages could not be less than the higher of the prevailing or applicable minimum wage or the Federal minimum wage.

Federal participation in the costs of an individual's participation in a public service employment program would be 100 percent for the first year of his employment, 75 percent for the second year, and 50 percent for the third.

States and their subdivisions that receive Federal grants would be required to provide the Secretary of Labor with up-to-date listings of job vacancies. The Secretary would also agree with certain Federal agencies to establish annual or other goals for employment of members of families receiving assistance.

Allowances of individuals participating in training

An incentive allowance of $30 per month would be paid to each registrant who participates in manpower training (States would have the option of providing an additional allowance of up to $30). Necessary costs for transportation and similar expenses would also be paid.

Utilization of other programs

The Secretary of Labor would be required to integrate this program as needed with all other manpower training programs involving all sectors of the economy and all levels of government.

Rehabilitation services for incapacitated family members

Family members who are incapacited would be referred to the state vocational rehabilitation service. A quarterly review of their incapacities would usually be made.

Each such incapacitated individual would be required to accept rehabilitation services that are made available to him, and an allowance of $30 would be paid him while he receives such services. (States would have the option of providing an additional allowance of up to $30.) Necessary costs for transportation and similar expenses would also be paid.

Evaluation and research; reports

The Secretary of Labor would be authorized to conduct research and demonstrations of the program and directed to make annual evaluation reports to the President and the Congress. An appropriation of $10,000,000 would be authorized for these purposes.

B—Family assistance plan

Payments of benefits

All eligible families with no member available for employment would be enrolled and paid benefits by the Secretary of Health, Education, and Welfare.

Rehabilitation services and child care for incapacitated family members

Family members who are unemployable because of incapacity would be referred to State vocational rehabilitation agencies for services. A quarterly review of their incapacities would usually be made. Such persons would be required to accept services made available, and would be paid a $30 per month incentive allowance plus transportation and other related costs. (States would have the option of providing an additional allowance of up to $30.)

Child care services would also be provided if needed to enable individuals to take vocational rehabilitation services.

Evaluation and research; reports

The Secretary of Health, Education, and Welfare would be authorized to conduct research and demonstrations of the family assistance plan and directed to make annual evaluation reports to the President and the Congress. An appropriation of $10,000,000 would be authorized for this purpose.

C—Determination of benefits

Uniform determinations

Both Secretaries would be required to apply the same interpretations and applications of fact to arrive at uniform determinations of eligibility and assistance payment amounts under the two family programs.

Eligibility for and amount of benefits

Family benefits would be computed at the rate of $800 per year for the first two members, $400 for the next three members, $300 for the next two members and $200 for the next member. This would provide $2,400 for a family of four, and the maximum amount which any family could receive would be $3,600. A family would not be eligible if it had countable resources in excess of $1,500.

If any member of the family fails to register, take required employment or training, or accept vocational rehabilitation services, the family benefits would be reduced by $800 per year.

Benefits would be determined on the basis of the family's income for the current quarter and the three preceding quarters.

After a family has been paid benefits for 24 consecutive months, a new application would be required which would be processed as if it were a new application.

The Secretary could determine that a family is not eligible if it has very large gross income from a trade or business.

Families would have to apply for all other benefits available to them in order to be eligible.

Definition of income

Earned income would follow generally the definition of earnings used in applying the earnings limitation of the social security program. Unearned income means all other forms of income among which are benefits from other public and private programs, prizes and awards, proceeds of life insurance not needed for last illness and burial (with a maximum of $1,500), gifts, support, inheritances, grants, dividends, interest and so forth.

The following items would be excluded from the income of a family:

1. Earnings of a student regularly attending school, with limits set by the Secretary.
2. Irregular earned income of an individual of $30 or less in a quarter and irregular unearned income of $60 or less in a quarter.
3. Earned income used to pay the cost of child care under a schedule prescribed by the Secretary.
4. The first $720 per year of other earned income plus one-third of the remainder.
5. Assistance based on need received from public or private agencies, except veterans' pensions.
6. Training allowances.
7. The tuition part of scholarships and fellowships.
8. Home produce.
9. One-third of child support and alimony.
10. Foster care payments for a child placed in the family by a child placement agency.

The total of the exclusions under (1), (2), and (3) above could not exceed $2,000 for a family of four rising by $200 for each additional member to an overall maximum of $3,000.

Exclusions from resources

A family cannot be eligible for payments if it has resources in excess of $1,500. In determining what is included in the $1,500 amount, the following items are excluded:

1. The home to the extent that its value does not exceed a reasonable amount.
2. Household goods and personal effects not in excess of a reasonable amount.
3. Other property which is essential to the family's self-support.

An insurance policy would be counted only to the extent of its cash surrender value except that if the total face value of all such policies with respect to an individual is $1,500 or less, no cash surrender value will be counted.

The Secretary would prescribe periods of time, and manners in which, property must be disposed of in order that it would not be included as resources.

Meaning of family and child

A family would be defined as two or more related people living together in the United

States where at least one of the members is a citizen or a lawfully admitted alien and where at least one of them is a child dependent on someone else in the family.

No family will be eligible if the head of the household is an undergraduate or graduate student regularly attending a college or university. Benefits would not be payable to an individual for any month in which he is outside the United States.

The term "child" means an unmarried person who is not the head of the household, and who is either under the age of 18 or under the age of 22 if attending school regularly.

Appropriate State law would be used in determining relationships.

The income and resources of an adult (other than a parent or the spouse of a parent) living with the family but not contributing to the family would be disregarded.

If an individual takes benefits under adult assistance, he could not be eligible for family benefits.

Optional State supplementation

If a State decides to supplement the basic Federal payment, it would be required to provide benefit amounts that do not undermine the earnings disregard provision. A State could agree to have the Federal Government make the supplementary payments on behalf of the State. If a State agrees to have the Federal Government make its supplemental payments, the Federal Government would pay the full administrative costs of making such payments, but if it makes its own payments the State would pay all of such costs.

States could but would not be required to cover under medicaid persons who are made newly eligible for cash benefits under the bill.

The Federal Government, in administering supplemental benefits on behalf of a State, would be required to recognize a residency requirement if the State decided to impose such a requirement.

D—Procedural and general provisions

Payments and procedures

The Secretary would be permitted to pay the benefits at such times as best carry out the purposes of the title and could make payments to a person other than a member of the family or to an agency where he finds inability to manage funds. The Secretary's decision would be subject to hearing and review.

The family benefits could not be paid to an individual who failed to register, or take work, training or vocational rehabilitation.

Cash advances of $100 or less could be paid if an applicant appears to meet all the eligibility requirements and is faced with a financial emergency.

The Secretary may arrange for adjustment and recovery in the event of overpayments or underpayments, with a view toward equity and avoiding penalizing people who were without fault.

People who are, or claim to be, eligible for assistance payments, and who disagree with determinations of the Secretary, could obtain hearings if they request them within 30 days. Final determinations would be subject to judicial review in Federal district courts, but the Secretary's decisions as to any fact would be conclusive and not subject to review by the courts. The Secretary would also be given authority to appoint qualified people to serve as hearing examiners without their having to meet the specific standards prescribed under the Administrative Procedure Act for hearing examiners.

The right of any person to any future benefit would not be transferable or assignable, and no money payable under this title would be subject to execution, levy, attachment, garnishment, or other legal process.

In addition, the Secretary would establish necessary rules and regulations dealing with years would be provided for payments to the proofs and evidence, and the method of taking and furnishing the same, in order to establish the right to benefits.

Each family would be required to submit a report of income within 30 days after the end of a quarter and benefits would be cut off if the report was not filed. If a family failed, without good cause, to report income or changes in circumstances as required by the Secretary, it would be subject to a penalty of $25 the first time, $50 the second time and $100 for later times.

The head of any Federal agency would be required to provide such information as the Secretary of HEW needs to determine eligibility for benefits under this title.

Penalties for fraud

A penalty of $1,000 or 1 year imprisonment, or both, would be provided in the case of fraud under the program.

Administration

Both the Secretary of Health, Education, and Welfare and the Secretary of Labor could perform their functions directly, through other Federal agencies, or by contract. An additional Assistant Secretary is authorized in the Department of Labor to head up the new program in that Department.

Child care

The Secretaries of Labor and Health, Education, and Welfare are each given the authority and responsibility for arranging day care for their respective recipients under the Opportunities for Families Program and the Family Assistance Plan who need such day care in order to participate in training, employment, or vocational rehabilitation. Where such care can be obtained in facilities developed by the Secretary of Health, Education, and Welfare, these would be utilized.

Insofar as possible, arrangements would be made for after school care with local educational agencies. All day care would be subject to standards developed by the Secretary of Health, Education, and Welfare, with the concurrence of the Secretary of Labor. Both Secretaries would have authority to make grants and contracts for payment of up to 100 percent of the cost of care. The Secretary of Health, Education, and Welfare would have total responsibility for construction of facilities. $700 million would be authorized for the provision of child care services in the first fiscal year, and such sums as Congress may appropriate in subsequent years. In addition, $50 million would be authorized for construction and renovation of child care facilities for each fiscal year.

Obligations of parents

A deserting parent would be obligated to the United States for the amount of any Federal payments made to his family less any amount that he actually contributes by court order or otherwise to the family.

Any parent of a child receiving benefits who travels in interstate commerce to avoid supporting his child would be guilty of a misdemeanor and subject to a fine of $1,000, imprisoment for 1 year, or both.

The Secretary would report to appropriate officials cases of child neglect or abuse which came to his attention while administering the program.

Local committees to evaluate program

Local advisory committees would be set up throughout the country, with a minimum of one in each State, which would evaluate and report on the effectiveness of the elements of the program designed to help people become self supporting. Each committee would be composed of representatives from labor, business, and the public, as well as public officials not directly involved in the administration of the programs.

V. OTHER RELATED ASSISTANCE PROVISIONS

ADOPTION AND FOSTER CARE SERVICES UNDER CHILD WELFARE

Authorizations of $150 million for fiscal year 1972 and higher amounts for subsequent States to support foster care and related services.

PROVISIONS RELATED TO NEW ASSISTANCE PROGRAMS

Effective date for adult assistance and family programs

Major changes made in the assistance programs would be effective July 1, 1972. The child care provisions would become effective upon enactment of the bill. The amendments which provide benefits to families where the father and mother are both present, neither is incapacitated, and the father is not unemployed (the "working poor") would become effective January 1, 1973.

Prohibition against participation in food stamp program by recipients of payments under family and adult assistance programs

The bill would amend the Food stamp Act of 1964 by providing that families and adults eligible for benefits under the assistance programs in this bill would be excluded from participation in the food stamp program.

Special provisions for Puerto Rico, the Virgin Islands, and Guam

There would be special provisions for Puerto Rico, the Virgin Islands, and Guam. The amounts used in the family assistance plan and the aid to the aged, blind, and disabled (other than the $720 amount of annual earnings to be disregarded and the $30 per month incentive allowances) would be adjusted by the ratio of the per capita income of each of these jurisdictions to the per capita income of the lowest of the 50 States.

Determination of medicaid eligibility

The Secretary would be able to enter into agreements with States under which the Secretary would determine eligibility for medicaid both for those eligible for Federal payments and the medically needy in cases where the State covered the medically needy. The State would pay half of the Secretary's additional administrative costs arising from carrying out the agreement.

Effective date.—July 1, 1972.

Transitional administration of public assistance

The Secretary of Health, Education, and Welfare could enter into agreements with States under which a State would administer the Federal assistance program for a period of up to one year from the beginning of the program.

Limitations on increases in State welfare expenditures

States would be guaranteed that, if they make payments supplementary to the Federal adult or family programs, it would cost them no more to do so than the amount of their total expenditures for cash public assistance payments during calendar year 1971, to the extent that the Federal payments and the State supplementary payments to recipients do not exceed the payment levels in effect under the public assistance programs in the State for January 1971. The value of food stamps would be taken into account in computing whether the guarantee would go into effect if the State pays in cash the value of food stamps. Most States would save money under the provisions of the bill; this provision would guarantee that no State would lose money.

Limitation on Federal expenditures for social services

The Federal Government would continue to provide 75 percent matching funds to the States for child care and family planning

services on an open-end appropriation basis. Federal matching for other specified social services would be limited to the amounts appropriated by the Congress.

PUBLIC ASSISTANCE AMENDMENTS EFFECTIVE IMMEDIATELY

Additional remedies for State noncompliance with provisions of assistance titles

The Secretary would be able to require States to make payments to people who did not receive all money due them because the State failed to comply with a Federal requirement.

The Secretary could require a State which is in noncompliance with a Federal requirement to set up a timetable and method for assuring compliance, or could request the Attorney General to bring suit to enforce the Federal requirements.

Effective date.—Enactment.

Statewideness not required for services

A State would be permitted to furnish social services in one area of a State without being required to furnish such services in all geographic areas of the State.

Effective date.—Enactment.

Optional modification in disregarding income under AFDC

States would be permitted, between enactment and July 1, 1972, to modify their present AFDC programs so as to substitute the earnings disregard provisions in the family assistance provisions (cost of child care, plus $720, plus one-third of the remainder) for provisions of present law (the first $30 and one-third of the remainder after which actual work expenses are deducted).

A State could also apply the maximum dollar limits in the family programs on child care and student earnings ($2,000 for a family of four rising to $3,000 for a family of nine or more) to its present AFDC program.

Effective date.—Enactment.

Individual programs for family services not required

States would no longer be required to prepare a separate plan of services for each individual who is eligible for AFDC.

Effective date.—July 1, 1972, or earlier if the State so chooses.

Enforcement of support orders

States would be required to secure support for a spouse of a parent from the other parent (of children receiving assistance payments) where he has deserted or abandoned his spouse, utilizing reciprocal arrangements with other States to obtain or enforce court orders for support.

Effective date.—July 1, 1972, or earlier, if the State plan so provides.

Separation of social services and cash assistance payments

Each State would be required to submit a proposal to the Secretary by January 1, 1972 providing for the administrative separation of handling eligibility for cash payments and the provision of social services by July 1, 1972.

Increase in Federal matching to States for costs of establishing paternity and collecting child support payments

Federal matching would be increased from 50 percent to 75 percent for State costs incurred in establishing the paternity of AFDC children and locating and collecting support from their absent parents.

Effective date.—Enactment.

Vendor payments for special needs

States would be permitted to provide for non-recurring items of special need by means of vendor payments.

Increase in Federal matching—WIN program

Effective immediately, the Federal matching under the WIN program would be increased from 80 to 90 percent. This provision expires June 30, 1972.

VI. PROVISIONS FOR TAX CHANGES (OTHER THAN PAYROLL TAXES)

Child care deduction

Under present law, a child care deduction of $600 per child, but not more than $900, is available for child care expenses in certain cases. Generally, this amount is available in the case of such expenses incurred by a widow or widower or certain other married couples with an incapacitated spouse and also in the case of married couples with incomes of not over $6,000.

The new provision retains the basic child care provision of present law but increases from $6,000 to $12,000 the income a married couple may have and still be eligible for this deduction. In addition, the amount of child care expenses which may be deducted is increased from $600 for the first child to $750, and to $1,125 for two children, and to $1,500 for three or more children. These changes are effective with respect to taxable years beginning on or after January 1, 1972.

Retirement income credit

Under present law, a retirement income credit of up to $1,524 multiplied by 15 percent ($229) is allowed for single persons age 65 or over having "retirement income"—that is, income from pensions, dividends, interest, rents or other passive income sources. However, this credit is available only if the individual had ten prior years of earned income above $600. The income eligible for this credit is reduced, however, by social security, railroad retirement or other tax-exempt pension income. It is also reduced by 50 percent of earnings over $1,200 and 100 percent of earnings over $1,700. (This earnings limitation, however, does not apply to those age 72 and over.) For married couples a credit equal to one and one-half times the credit referred to above is generally available under present law. However, in some cases where both can qualify for the credit a credit of up to twice that referred to above is available.

In addition, under present law, the retirement income credit determined substantially as indicated above is available for retirement income substantially as indicated above is available for retirement income received from governmental units where the individual is under age 65, except that the credit is reduced on a dollar-for-dollar basis for earnings above $900 (between age 62 and 65 the earnings test described above applies).

The committee has adopted a substitute retirement income credit which is both more liberal and also will be easier to compute on the return form. This credit for a single person will be based upon $2,500 instead of $1,524. It will not be necessary for the individual involved to have "retirement income" as he is required to have under present law or 10 years of prior earnings of $600 or more. However, as under present law, the $2,500 will be reduced for social security, a railroad retirement and other tax-exempt pension income. Also, as under present law, it will be reduced for earned income above a specified level (if the individual is under age 72) However, the amount will only be reduced for 50 percent of earnings above $2,000 instead of 50 percent of earnings above $1,200 plus 100 percent of earnings above $1,700.

As under preesnt law, the amount derived in this manner is multiplied by 15 percent in order to obtain the credit (the new figure gives a maximum credit of $375).

For a married couple, both over age 65, the retirement income credit is to be based upon $3,750 instead of the $2,500 applicable to a single person. Otherwise the credit is to be computed in the same manner indicated above except on the basis of the combined experience of the husband and wife.

For those below age 65 receiving Government pension income the $2,500 also becomes applicable but, as under present law, only with respect to Government pension income. The earnings test for these persons is raised from $900 to $1,000 if under age 62 but for those above that age, the $2,000 earnings test applies.

The CHAIRMAN. The time of the gentleman from Arkansas has again expired.

Mr. MILLS of Arkansas. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. DINGELL, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 1) to amend the Social Security Act to provide increases in benefits, improve computation methods, and raise the earnings base under the OASDI program, to make improvements in the medicare, medicaid, and maternal and child health programs with emphasis on improvements in their operating effectiveness, to authorize a family assistance plan providing basic benefits to low-income families with children with incentives for employment and training to improve the capacity for employment of members of such families, to achieve more uniform treatment of recipients under the Federal-State public assistance programs and otherwise improve such programs, and for other purposes, had come to no resolution thereon.

House of Representatives

TUESDAY, JUNE 22, 1971

SOCIAL SECURITY AMENDMENTS OF 1971

Mr. MILLS of Arkansas. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 1) to amend the Social Security Act to provide increases in benefits, improve computation methods, and raise the earnings base under the OASDI program, to make improvements in the medicare, medicaid, and maternal and child health programs with emphasis on improvements in their operating effectiveness, to authorize a family assistance plan providing basic benefits to low-income families with children with incentives for employment and training to improve the capacity for employment of members of such families, to achieve more uniform treatment of recipients under the Federal-State public assistance programs and otherwise improve such programs, and for other purposes.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 1, with Mr. BOGGS (Chairman pro tempore) in the chair.

The Clerk read the title of the bill.

The CHAIRMAN pro tempore. When the Committee rose on yesterday, the gentleman from Arkansas (Mr. MILLS) had 2 hours and 55 minutes remaining, and the gentleman from Wisconsin (Mr. BYRNES) had 3 hours and 55 minutes remaining.

Mr. MILLS of Arkansas. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN pro tempore. Evidently a quorum is not present. The Clerk will call the roll.

The Clerk called the roll, and the

following Members failed to answer to their names:

[Roll No. 153]

Alexander	Ford,	O'Neill
Anderson,	William D.	Passman
Tenn.	Garmatz	Patman
Ashbrook	Gettys	Peyser
Ashley	Goldwater	Podell
Baker	Gray	Purcell
Baring	Gubser	Railsback
Bevill	Hall	Roy
Biaggi	Halpern	Roybal
Blatnik	Hensen, Wash.	Runnels
Bray	Harsha	Sandman
Byron	Hathaway	Scheuer
Celler	Holifield	Stanton,
Clark	Horton	J. William
Clay	Jones, Tenn.	Stephens
Collins, Ill.	Kyros	Stratton
Crane	Long, La.	Stuckey
Davis, Wis.	McCulloch	Taylor
Dent	McDonald,	Vigorito
Dickinson	Mich.	Williams
Donohue	Metcalfe	Wilson, Bob
Dow	Moss	Wydler
Edwards, La.	Murphy, N.Y.	Young, Fla.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. DINGELL, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 1, and finding itself without a quorum, he had directed the roll to be called, when 368 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from Virginia (Mr. BROYHILL), a valued Member of the Committee.

Mr. BROYHILL of Virginia. Mr. Chairman, it has been duly noted that H.R. 1 was reported out of the Committee on Ways and Means by a vote of 22 to 3. I hope my colleagues will not get an erroneous impression of that vote, because it is not truly indicative of the attitude of the members of the committee. There were numerous reservations, qualifications, and explanations given when the roll was called on reporting the bill.

Although there were these clear indications of doubt in the minds of some of the committee members on this legislation, I feel, Mr. Chairman, that, after many months of study and hard work, there should not have been any uncertainty.

I was one of the 22 members who voted to report the bill out of committee, yet I do not support the welfare reform provisions. And my reasons may be similar to those of some of the other members who voted the same way.

As has been pointed out by our distinguished chairman, H.R. 1 does contain some very important and worthwhile social security amendments. I was fortunate in being able to get four of my amendments adopted in committee and included in this bill.

I wish to express my great appreciation to our chairman for his cooperation and wish to commend him for his efforts in trying to accommodate all of the members of the committee in order to obtain the maximum support for the legislation.

However, I will at the appropriate time vote to strike title IV, the welfare provisions from the bill.

Mr. Chairman, the issue here today is not whether the present welfare system needs to be replaced, because there is no disagreement, as far as I am aware, that the existing public assistance programs are chaotic, excessively costly, and extremely wasteful. The real question is whether the welfare changes embodied in H.R. 1 provide the reforms which are needed.

I do not think so. I do not think that in order to effect these needed reforms, we have to increase welfare program costs by more than $5 billion. Nor do we have to add more than 10 million people to the welfare rolls.

A lot has been made of the announcement yesterday from the Department of Health, Education, and Welfare to the effect that we had a 50-percent increase in the welfare rolls since 1969. But what do you think this legislation will do so far as increasing the welfare rolls is concerned?

And why do we have to have a guaranteed annual income in this legislation? You can spell it any way you want, but it comes down to just that—a guaranteed annual income. Why do we have to include this, along with other items I have cited, in order to get welfare reform?

I will tell you why. We have to provide all of these things in order to get the votes—so the reasoning goes. The idea was to "sweeten the pot."

But I maintain that we can improve the welfare situation and get the support of this body without such "sweeteners" and without increasing the cost or adding anyone to the welfare rolls.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. BROYHILL of Virginia. I thank the gentleman.

Now, what about some of these so-called improvements that are hailed as panaceas for all of our welfare ills? Can we be sure that these alleged improvements will remain in the bill when it is considered by the other body? Can we be assured that the provisions of the bill will be enforced as we would like to have them enforced by the executive branch.

Mr. Chairman, I have a great deal of respect and admiration for the President of the United States. I appreciate his honesty and his sincerity and the fact that he wants a true welfare reform bill.

But, I am wondering, Mr. Chairman, whether the people he was delegating to speak for him up here were truly reflecting his views in regard to this legislation.

Let me give you an example of what I am talking about.

When we were considering a 5-percent across-the-board increase in social security benefits in committee, it was vigorously opposed by the administration spokesmen. They suggested that the automatic cost-of-living increase which was already in the bill would more adequately take care of the needs of beneficiaries, both in the immediate and in the distant future.

So every Republican member of the committee voted against the 5-percent increase. However, the increase was included in the bill. And after it became known that the committee had approved it, the President commended the Committee on Ways and Means for taking this action.

Now, Mr. Chairman, you know the President of the United States is not going to "pull the rug" from under his own party members, so it would appear that his spokesmen up on the Hill did not know or understand, and did not accurately reflect the President's views.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield to me at that point?

Mr. BROYHILL of Virginia. I yield to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. Is the gentleman trying to make the point that there may be some question about the President's support of title IV? If there is, let me disabuse him right off the bat, because it is the heart of the message that the President sent up on welfare. It has been discussed with him many times. I discussed it with him personally and there is certainly no question at all as to the President's understanding of the provisions of title IV of this bill.

If that is the history that the gentleman is repeating here, and if it is intended to show that there is a question about the President's position on title IV, let me tell the gentleman he has not proven his point because it does not square with the actual facts.

Mr. BROYHILL of Virginia. The gentleman may have misunderstood. The point I was trying to make was that some of the President's spokesmen seemed not to be expressing his views at times.

But, Mr. Chairman, here is another example of my main point. An article appeared in the Washington Post on Wednesday, June 16, in which one administration spokesman was quoted. This was Mr. Robert Patricelli, Deputy Under Secretary of the Department of Health, Education, and Welfare, and I would think he was attempting to speak for the President. Here is what he said concerning this bill, and I quote from the Post article:

> "We're for a bill that can survive and get 51 Senate votes," said Patricelli in an interview. "It will be a matter of tactical judgment."

That is all they are apparently concerned about, getting 51 votes and getting it passed by the other body.

Mr. Patricelli also suggested certain changes in the bill, and again I quote from the article:

> Require work only of mothers with children age 6 and older, rather than age 3, and older as provided by the House committee bill.

I am wondering how this can be justified to the millions of working mothers, with children under 6 years of age, who pay taxes which are used to support the welfare mothers, also with children under 6 years of age, who are not required to work because of the ages of their children.

I thought we had worked that out in our committee. I thought we had reached agreement on that matter, but here the administration spokesman is quoted as

hoping that the other body will knock it out.

The CHAIRMAN. The time of the gentleman from Virginia has again expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. BROYHILL of Virginia. Now, here is the next point Mr. Patricelli seems to want to include, according to the article in question:

Place greater safeguards in the bill's "work requirement" so persons could not be forced to accept work "not suitable to their abilities and circumstances."

Mr. Chairman, what could be more debasing to an individual than to take from the fruits of his neighbor's labor on the basis that the work available for him is unsuitable? I say a man ought to be required to take any work if he is going to go on the dole, paid by the American taxpayer.

I thought this particular problem would be resolved in the legislation, but the administration spokesman apparently wants to get the pertinent language of the bill toned down or removed.

Mr. BYRNES of Wisconsin. Mr. Chairman, if the gentleman will yield, I will put in the RECORD a letter from HEW Under Secretary John Veneman, which clarifies the issues that were presented in that newspaper article.

In the first place, there is a serious question as to whether Mr. Patricelli's statements are accurately recorded and, second, there is a question of whether what was reported as being the views of Mr. Patricelli really were his views. They certainly did not reflect the position taken by the administration. So I am having difficulty knowing what the gentleman's basic point is in bringing these matters up, because there is no question about the position of the administration on this matter. I think the gentleman from Virginia is trying to cloud the issues by using a newspaper report of Mr. Patricelli's statement on the matter.

We have put in the record what the administration's position is, and I will fortify it further, if the gentleman would like, by including in the RECORD, when we get into the House, a letter from Mr. Veneman on this very subject of the article the gentleman is reading.

Mr. BROYHILL of Virginia. I think the gentleman from Wisconsin is helping me to make my point. I say that some of these people, allegedly speaking for the administration, are not accurately reporting the President's views.

For example, here is another goal Mr. Patricelli seems to be seeking, according to the article:

Forbid States to reimpose one-year State residency requirements to qualify for welfare.

I am hopeful that in this bill the States could reimpose the one-year residency requirement, and that it would be upheld by the courts, but here is one of the spokesmen of the administration who reportedly does not feel the States are to be permitted to do that.

Let me cite just two other examples of alleged welfare "improvements" in H.R. 1.

The Department of Agriculture administers two food distribution programs for the needy. The food stamp program enables recipients to exchange stamps for food at their local groceries. The commodity food program provides for the direct distribution of surplus food.

Present law permits the two programs to operate simultaneously in the same jurisdiction, but states that no one can participate in both.

However, if H.R. 1 should become law as presently written, welfare recipients would be able to benefit from both of these programs, in a sense, while remaining on the welfare cash payment rolls.

The committee bill "cashes-out" food stamps by providing the equivalent in additional money—about $800 for a family of four—and by prohibiting recipients from receiving both cash and the stamps.

But the bill does not, in any way, affect the commodity food program, which would continue and probably accelerate. A welfare recipient would be free to receive his cash payment and participate in this program, too.

So in a very real sense, the recipient could benefit simultaneously from all three programs—food stamps through the cash equivalent, surplus commodities through the continuing distribution program, and cash assistance through regular welfare channels.

Not only does this point up the possibility of real problems in equity, cost, and administration, but it serves to illustrate the susceptibility of the proposed new program to the kinds of ills that have ruined the present system.

Although the commodity food program is now relatively restricted—operating in about 1,000 counties in 34 States for slightly under 4 million beneficiaries—it is likely to grow rapidly to take up the slack from the food stamp cash-out.

If there was any doubt in the committee on this score, it should have been dispelled by a witness from the Agriculture Department.

In one executive session, some committee members, including me, were wondering aloud what would happen to the commodity program if there were a great surge of applications. Would there be enough surplus food to meet a heavy new demand?

The departmental witness gave a clear response. He said:

I would suspect the Government would probably have a tendency to find enough commodities to go around.

So the inescapable conclusion is that the commodity food program very well could pick up, as far as public welfare is concerned, where the food stamp program leaves off.

Some people have termed the present food stamp program a boondoggle. If it is, then this new program would allow a triple boondoggle.

The CHAIRMAN. The time of the gentleman from Virginia has again expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 additional minutes to the gentleman from Virginia.

Mr. BROYHILL of Virginia. I question another provision, which we have heard would be of great help to the States.

The original concept of this bill, as I understood it, was that we would treat all States alike. I heard my good friend, the gentleman from New York (Mr. CONABLE) say on television this morning that one of the purposes was to treat people from Southern States and poor States more as people in big welfare States are treated. But this bill would not establish true equality of treatment. Disparities would continue; through State supplementary payments, for example.

My concern here is about the so-called "hold harmless" provision.

Before this provision was added in the eleventh hour of committee deliberation, the bill called for the Federal Government to pay the States a certain amount per recipient and per family—and no more.

At this point, the Department of Health, Education and Welfare assured the committee that the States would not lose on this basis, and in fact that most of them would realize substantial savings—totaling about $500 million.

However, the committee adopted the "hold harmless" provision, insuring the States against any added costs resulting from Federal administration of the program.

In my opinion, this not only was a tacit admission that the administration of the program might be ineffective, it also proved to be a dramatic indicator of just how much more the program would cost than some members of the committee, again including me, had been led to believe.

Following adoption of this "hold harmless" provision, estimated State savings suddenly tripled—from a half-billion dollars to more than a billion and a half.

By simple insuring the States against increased expenses required by the program, we added costs totaling $1 billion for the first year of operation alone.

There are other flaws in the program, but I think those two examples demonstrate adequately why I feel compelled to vote to strike the welfare portions from the bill.

Welfare certainly needs reforming, but H.R. 1 is not the best vehicle.

H.R. 1 will, however, do a great deal of good for a great many people once the welfare portions are removed.

It contains many long-needed improvements in the field of social security—improvements which far outweigh what I consider one unfortunate proposal—the 5-percent across-the-board cash benefit increase, which I mentioned earlier and which would come on top of benefit increases totaling 25 percent in just the past 18 months.

It would have been more equitable for beneficiaries and taxpayers alike if the Committee had simply allowed the automatic benefit adjustment provision to go into effect immediately upon enactment. Under this provision, benefits would be increased according to actual increases in the cost-of-living, and would more adequately protect beneficiaries against the ravages of inflation.

But the committee action, approving a 5-percent raise payable more than a year from now, postpones effective operation of the automatic adjustment provision,

thus pushing further into the future the time when the determination of benefit increases will be tied to the realities of living costs instead of the uncertainties of politics.

On the plus side, however, the other social security sections of H.R. 1 include worthwhile changes in benefits for widows and other survivors, the disabled, and retirees—along with some medicare and medicaid amendments designed to improve operating efficiency of both programs without curtailing essential services. These changes have been explained already; therefore, it is not necessary for me to elaborate upon them here. Suffice it to say they are good provisions, and deserve this body's full support.

Let me just comment briefly on two recently added items in this bill which I feel are particularly deserving of your attention and support.

These two changes would make more realistic the income tax deduction for child-care expenses and the tax credit for retirement income. I do not feel that either proposal goes as far as it should, but I do believe each represents an important step in the right direction.

Under present law, the deduction for child care expenses is generally available where there is just one employable parent or where the combined earnings of the father and mother do not exceed $6,000, which was the median family income in the United States in 1964, when this provision was last amended.

Obviously, the median income has soared since then, and the change proposed would boost the corresponding amount in the law to $12,000.

The existing law permits a deduction roughly equal to the personal exemption, or $600 for one child and $900 for two or more. The proposal would update these amounts in keeping with new personal exemption levels, or to $750 for one child, $1,125 for two, and $1,500 for three or more. The deductions would apply not only to children but other dependents unable to care for themselves, and they would become effective for calendar year 1972.

The changes should be especially helpful to numerous working wives and widows, as well as to widowers and husbands whose wives have been incapacitated.

The other provision of H.R. 1 which I feel warrants special consideration would bring up to date the income tax credit for retirement income.

This credit under present law is equal to 15 percent of the first $1,524 of retirement income received by an individual or alternatively the first $2,286 of retirement income for couples who file joint returns based on the income of one.

The new credit must be reduced, however, by the amount of social security, railroad retirement, or other exempt pension income received, and the maximum amount of retirement income eligible for the deduction is further reduced—for those under age 72—by one-half of the annual amount of earned income between $1,200 and $1,700 and by the entire amount of earned income over $1,700. To be eligible for the credit, a person must have earned at least $600 a year for 10 prior years.

The committee wisely decided to liberalize this credit inasmuch as it has not been altered in 9 years, during which time the maximum social security primary benefit—to which the credit traditionally has been tied—has risen to $2,500 for a retired worker and $3,750 for a retired worker and spouse.

Consequently, the committee bill would increase the credit base from $1,524 to $2,500 for an individual and from $2,286 to $3,750 for couples.

Although the amount of the credit would continue to be reducible by the amount of social security and other exempt pension payments, the individual would no longer have to meet the 10-year $600 earnings test, and the earnings limitation would be boosted to $2,000 for each spouse and phased-out on a 50-cents-per-dollar basis for income above that sum.

There are other improvements in this provision, but those are the key ones, and I believe they represent a genuine breakthrough in providing tax equity for our elderly citizens.

In conclusion, Mr. Chairman, it is my firm conviction that the social security provisions of H.R. 1, and the two changes I have just discussed, have waited long enough in the wings. They should be brought out now, and speedily enacted into law.

Mr. BYRNES of Wisconsin. Mr. Chairman, I include in the RECORD at this point the letter of Under Secretary Veneman, with reference to the June 16 article in the Washington Post. Mr. BROYHILL referred to this letter in his remarks to the House. The letter follows:

WASHINGTON, D.C.,
June 16, 1971.

Hon. JOHN W. BYRNES,
House of Representatives,
Washington, D.C.

DEAR JOHN: As I indicated to you on the telephone, the article in the Washington Post this morning regarding the Administration's position on H.R. 1 was inaccurately reported. Your understanding of the position taken by the Administration before the Ways and Means Committee is correct.

The article alleged that an HEW official said the Administration would support a move requiring the states to maintain at least their present level of welfare payments. I have been assured that no such statement was made. Furthermore, the Administration does not support such a position.

The hold-harmless provision would assure states that their costs would not exceed their 1971 expenditures if the payment levels did not exceed the current levels plus the value of food stamps. In other words, states have the economic incentive to maintain present levels, but would not be required to do so. Our state savings figures are based upon the assumption that the states would not reduce current benefit levels.

With regard to the other points raised in the Post article, you will recall that we did oppose the imposition of the work requirements on mothers with children three years old or older. We do recognize, however, that this provision would not become effective until 1974.

We also expressed our concern that, in our opinion, the one year state residency requirement would be unconstitutional. The statement that we would ask the Senate to "place greater safeguards in the bill's 'work requirement' so persons could not be forced to accept work 'not suitable' to their abilities and circumstances" is also inaccurately stated. We supported the position taken by the Committee with regard to the work requirements.

I hope that this letter may clarify any confusion that the article may have created. Again, John, my thanks for your continuous cooperation.

Mr. MILLS of Arkansas. Mr. Chairman, I yield 15 minutes to the gentleman from Oregon (Mr. ULLMAN), a valued member of the Committee on Ways and Means.

Mr. ULLMAN. Mr. Chairman, I rise in order to say that the Committee on Ways and Means has spent many months on this legislation and that there is much good in the bill. Our chairman, the gentlemen from Arkansas (Mr. MILLS), has done a yeoman's job, as usual, in presenting the case for the bill and for title IV. He said this was monumental legislation and, indeed, it is monumental. The difficulty is that in monumental legislation one can make monumental errors and title IV, believe me, is a monumental error.

Consequently, my motion later in the day, if I am recognized for that purpose, will be to take the action allowable under the rule, and that is to strike title IV. I come before you now to urge my colleagues to support me in striking it from the bill.

What we have in title IV, in the guise of welfare reform, is a Trojan horse, a Trojan horse in the way of a guaranteed annual income in this country. You can call it income maintenance, or income supplement, but it is all the same thing. It is, in principle, a guaranteed annual income.

Once you make the decision to accept that guaranteed annual income, I want to say to my colleagues, you have reached the point of no return. Once you have adopted that principle, then the only question is: Are you guaranteeing enough? And, of course, all of us know the pressures that will build. All of us know that it is not enough, that you can mount a tremendous argument that it is not enough—once you have accepted the principle. So the pressures on you to increase this income are going to build and build and build.

The chairman said that if we adopt the $6,500 base income for a family of four, it would cost the Nation $70 billion. I would like to point out that if you adopt the principle of guaranteed incomes—even at only $2,400 annually—it is not going to be very long before that $2,400 rises to the $6,500 level, because that is the history of this kind of legislation.

Do not buy the argument, I plead to my colleagues, that a negative vote—that is, a vote to strike title IV—is a vote for the present welfare system, because it is not. All of us want welfare reform. So do not buy the argument that the committee will not act, because I want to assure you that the chairman of this committee is one of the most responsible men in the country. I know him well enough to know that if you vote to strike out title IV, the Ways and Means Committee will go back and do the responsible thing, which is to put together the alternative packages available to bring us true welfare reform and to strip it of that Trojan horse, the guaranteed annual income.

A vote against title IV is not a vote for the present welfare system because there is, despite claims to the contrary, a responsible alternative.

I have introduced a bill, H.R. 6004, which has widespread national support, and which does, in fact, give us complete welfare reform; which does, in fact, turn this whole thing around; which does, in fact, offer hope to the poor people of this country that they will be brought back into productive life of this Nation.

Before I talk about my alternative, however, let us look very briefly at what H.R. 1 does. On this first chart. The vertical scale is "Earned income." This is the working poor provision. It also incorporates the welfare provision. But it is, unfortunately a formula which has been pulled out of a hat without any real basis in experience, an unproven formula that has grown, somehow, of its own initiative. Last year, for example, we had a $1,600 base. Now we have moved up to a $2,400 base. Last year we had $500 per dependent for the first two, and then $300 for the next. Now that has been changed to $800 for the first two members of the family and $400 for the next three, and then $200. The table follows:

EARNED INCOME AND FEDERAL ASSISTANCE BENEFITS FOR FAMILIES OF 2 TO 8—H.R. 1

Earned income	Federal assistance benefits							Earned income
$6,500								$6,500
$6,000						$0	$0	6,000
$5,500					$0	213	413	5,500
$5,000				$0	246	546	746	5,000
$4,500			$0	280	580	880	1,080	4,500
$4,000		$0	213	613	913	1,213	1,413	4,000
$3,500		146	546	946	1,246	1,546	1,746	3,500
$3,000	$0	480	880	1,280	1,580	1,880	2,080	3,000
$2,500	413	813	1,213	1,613	1,913	2,213	2,413	2,500
$2,000	746	1,146	1,546	1,946	2,246	2,546	2,746	2,000
$1,500	1,080	1,480	1,880	2,280	2,580	2,880	3,080	1,500
$1,000	1,413	1,813	2,213	2,613	2,913	3,213	3,413	1,000
$500	1,600	2,000	2,400	2,800	3,100	3,400	3,600	500
$0	1,600	2,000	2,400	2,800	3,100	3,400	3,600	0
Family size	2	3	4	5	6	7	8	

These last figures are what is incorporated on the bottom line of the table. If there is zero income, the annual welfare scale for a family of two is $1,600; then for a family of three, an additional $400, or $2,000 total. A family of four with no earned income would receive $2,400, and on up to a family of eight, where the base is $3,600. This is, I repeat, the base without any earned income.

What we have here is a formula somebody concocted. We would let them keep the first $720, and then tax them two-thirds of everything they make above it.

The result is a table like this, which applies to everybody, all of the working poor in the country. If your income is $2,000 and you have a family of six, you go over to the column of "Numeral 6" with $2,000, and $2,246 is the amount that the Federal Government will pay you. So you would add the $2,000 you are making to the $2,246, and you make a total of $4,246.

Suppose, however, you have an alternative jobs available, possibly at $3,000, that incorporates a lot of work. Look at the $3,000 column and with a family of six the Federal Government would pay $1,580 for a total of $4,580 as against $4,246 total income on the old job which paid only $2,000.

As you can see, what you will have is a numbers game everybody can play, a numbers game where you can look at the formula to see how much you might earn and then see how much the Government is going to pay you as a matter of guarantee.

You are allowed to have your home, your car, your furniture, and all those kinds of things, plus $1,500 in the bank. So long as your assets are within these limits, so long as you comply with that, and you know how many dependents you have—you may have children or you may have a dependent aunt or uncle or whomever else you can claim—then you can turn to this table and figure out exactly how much the Federal Government is going to pay you.

That is how simple it is.

Another problem with title IV is that the Federal Government is going to send out 4 million checks every month. There will be 4 million family heads who will come under this category, so that Government is going to have to send out 4 million checks.

Remember, however, that these checks are computed on the basis of three variables.

First, there is the income recipients are making. That varies greatly among the working poor. In 1 month they might be making $300, the next month $100, and the next month $400. How in the world will the Federal Government keep up even with that one variable?

The second variable is the family size. A dependent aunt may move in for 1 month and out the next. And that variable must be computed in sending out these checks.

The third variable is assets. One family may save enough to move above the $1,500 allowed in the bank while another family may drop below that level.

The Federal Government is supposed to keep track of all three of those variables and yet send out the check every month.

I say it cannot be done. I say it is totally unadministrable.

Mr. CAREY of New York. Mr. Chairman, will the gentlemen yield with reference to this chart?

Mr. ULLMAN. I yield briefly to the gentleman from New York.

Mr. CAREY of New York. While the gentlemen is on this chart, is it not true that under the present law, as it operated, with payments to those who are working, a family of eight could receive payments up to an income scale of $11,000? Is that correct?

Mr. ULLMAN. Yes; but would the gentlemen let me go on?

Mr. CAREY of New York. Under this chart here the maximum they can receive in payment is what?

Mr. ULLMAN. We will go into that on this other chart, and that will explain it.

Mr. CAREY of New York. It is considerably less than $11,000 under H.R. 1, is it not? The cut off figure is less?

Mr. ULLMAN. Not necessarily. But I cannot answer that unless we discuss the State supplemental. If the guaranteed income were all they received, all over the country, that would be it, but it is not.

What we are doing is superimposing this on top of or below a whole hodgepodge of State supplemental payments.

In this second chart there is displayed what would go to a family of two up to eight.

Here you have what the gentlemen from New York (Mr. CAREY) referred to. A family of eight can now make $10,000 and still get about $700 from the State of New York. But a family can make $8,900 in the State of New York under this proposal before us, and the Federal Government will put up about $750 even though the total income is almost $9,000.

All of this business about a family of four just begs the issue. If you go down the scale where you are making $3,000 and the Federal Government puts up about $2,200 and the State puts up another $3,300 under title IV of the bill you are voting on.

Mr. MILLS of Arkansas. Mr. Chairman, will the gentlemen yield?

Mr. ULLMAN. Certainly. I am always glad to yield to the chairman of the committee.

Mr. MILLS of Arkansas. Is not the gentlemen aware of the fact that in a family of four it means that no one could get more in earnings and payment in a family of four than $4,140 per year and in a family of eight more than $6,000? Where does the gentlemen get the $11,000 figures from?

Mr. ULLMAN. The chairman knows that the State supplement is exempt income. The State pays the supplements on top of the break-even point. So what we are doing is contributing to a family making $8,900, and $3,300 of that is State supplement. Nevertheless, that is part of their total income.

Beyond that—and this is the problem beyond that which disturbs me—is the hold harmless provision. This is one of the great difficulties of this bill.

You are dividing the State into three categories. First, you have about a third of the States that are going to drop all welfare altogether and cling to the Federal level. That will be all of the welfare you will get in about one-third of the States. And you can name those States now.

Then you will have about a third of the States starting right off where the hold harmless provision will prevail. New York will be one of those. As soon as the hold harmless provision prevails, all it means is that that State puts up exactly

what it put up in calendar year 1971 and no more.

Mr. CAREY of New York. Mr. Chairman, will the gentlemen yield?

Mr. ULLMAN. Let me finish first, please.

Then, above that figure, every new welfare recipient is paid for by 100 percent Federal funds. In other words, if you adopt this bill, in this third category there will be 15 to 20 more States that will immediately come into Federal welfare provisions. New York is one of them. They will kick in the same amount they paid in calendar year 1971, and as their welfare rolls go up every additional dollar of welfare cost at their standard will be paid for by the Federal Government. What that means is the State of New York will pay its 1971 share, yet its caseload will go up, and the Federal Government will pay for every new welfare recipient. The Federal Government will pay every dollar of it in New York. A third of the States are at this level. In New York, above hold harmless, we will pay every dollar up to these levels and, even more shocking, beyond those levels.

The CHAIRMAN. The time of the gentlemen has expired.

Mr. MILLS of Arkansas. Mr. Chairman, I yield the gentlemen 10 additional minutes.

Mr. ULLMAN. And, even more shocking, under this bill we have allowed the States to increase their benefits up above this level. Because the Federal base now includes food stamps cash, we have said that the State of New York can increase its benefits. So where an income plus benefits level is about $10,200 with a family of eight, their food stamps would add to that, and the further down you go under the food stamp formula the greater the addition becomes. But we are allowing them even to increase their benefits, and under the hold-harmless provision the Federal Government will take every dollar of those costs to those high levels in the State of New York, whereas in these other States it will not.

A third category of States will be in limbo in between. Your State and my State will probably be in that category where we will not go back to this level immediately and where our costs are below the 1971 levels, so there will not be any hold-harmless provisions.

And, so, all that means in your State—and I know it is true in mine—is that above the Federal payment, the State will have to pay every dollar of benefits until they get clear up the 1971 hold harmless level, and in my State and many other States they cannot make it. Therefore, the result will be to eliminate any current supplements and to drop the Federal level. Another category of States will adopt an option to cash out food stamps as part of their State supplements. The Federal Government, holding the States harmless, will be required to pay all welfare costs above this revised level. In short, one set of States will go completely out of the welfare business with the Federal Government paying everything; in the other set the Federal Government will be paying all costs—including State supplement levels—beyond the 1971 levels.

Mr. CAREY of New York. Mr. Chairman, will the gentleman yield?

Mr. ULLMAN. I yield to the gentleman from New York.

Mr. CAREY of New York. Based upon the chart which the gentleman is presenting, and based upon the figures for the State of New York, first, the beginning figure at the left which shows a figure of $4,300 is currently inaccurate because the State has already reduced its benefit level by the recent action of the legislature to $3,722. So, all of those figures are inaccurate.

Mr. ULLMAN. Except, under the bill, the State of New York will be covered under its 1971 benefit levels and believe me, if the Federal Government picked up the check, you would go back to those levels immediately.

Mr. CAREY of New York. I must respectfully disagree with the gentleman.

Mr. ULLMAN. You can be sure you will go back to these levels.

Mr. CAREY of New York. Mr. Chairman, if the gentleman will yield further, the bill would not permit that——

Mr. ULLMAN. It is my understanding that the welfare levels that were in effect before the reduction is the base from which we are working.

Mr. CAREY of New York. That is not so. It is the current welfare levels of June 1971 which was adopted by the last legislature. The legislature has already acted and the gentleman made the further point that the States will add supplementation or reduce supplementation. I contend that they will do neither one, because if they reduce it, the Federal Government gets a savings. I do not know of any State that wants to produce savings for the Federal Government only.

Mr. ULLMAN. Whether that is true or not, it does not in any way change the amount in the State of New York. Whether that is true or not, New York is going to find its welfare costs above the 1971 levels.

There was testimony before the committee which made very clear that the fact of the matter is the State of New York will be in exactly the same position as it is in in calendar year 1971 and every dollar of welfare will be expended up to these levels. However, if there is a slight drop, that will be more than offset by the increase in benefits up to the amount of the Federal level.

Mr. MILLS of Arkansas. Mr. Chairman, will the gentleman yield?

Mr. ULLMAN. I yield to the gentleman from Arkansas.

Mr. MILLS of Arkansas. What is the purpose of the level line on your chart in the family of eight and the family of four? Will the gentleman explain what that line is?

Mr. ULLMAN. This is the equivalent of what we have here in the phaseout.

Mr. MILLS of Arkansas. Is it not a fact that that represents the point above which the Federal Government does not go with respect to any payment helping anybody?

Mr. ULLMAN. That would be true, Mr. Chairman, if you had no State supplement. State supplement is exempt income.

Mr. MILLS of Arkansas. Let me ask the gentleman on that point, is it not a fact that today the State supplement is matched under a formula with the Federal Government, and if the State matches under H.R. 1 you have entirely and totally State money and not another penny of Federal money?

Mr. ULLMAN. But the "hold harmless" clause completely eliminates that argument.

Mr. MILLS of Arkansas. No.

Mr. ULLMAN. We have had testimony in the committee, Mr. Chairman, that the benefit levels that exist today will be maintained under the "hold harmless" clause.

Mr. MILLS of Arkansas. Oh, no. But the "hold harmless" deals only with increases caused by the bill, not by the factions of the State.

Mr. ULLMAN. I hate to disagree with the gentleman, but the "hold harmless" provision merely says if the State level costs go above the 1971 calendar year level, that the Federal Government will then pick up every dollar of additional welfare costs above that.

Mr. MILLS of Arkansas. Only those costs which are attributable to the bill itself, H.R. 1, and not to anything else. That is one of the cornerstones of the bill.

Mr. ULLMAN. Now, Mr. Chairman, we are getting to the real crux of the bill.

Mr. ADAMS. Mr. Chairman, would the gentleman yield on that?

Mr. ULLMAN. I yield to the gentleman from Washington.

Mr. ADAMS. Mr. Chairman, I would ask the gentleman if he is saying that if those States make any savings in their budget for welfare, they will then not qualify for hold harmless, but must pay everything themselves above the minimum levels; is that right?

Mr. ULLMAN. Not exactly.

Let me say this again, and it is very complicated, and I am sorry the chairman did not cover it. I intended to ask him the questions, but his time was short, because I think this should be covered, and I think it should be understood. It is a crucial point.

The hold harmless—and we went up and down the road on this hold harmless—will be used to federalize welfare. My alternative does not federalize welfare, it federalizes the problem. It takes the employable people completely out of welfare and puts them in a separate category where the Government has the full 100-percent responsibility of seeing that they are rehabilitated and employed, and pays them a compensation based on a percentage of average wages. It is a wage-related compensation. That is why in this bill when you say H.R. 1 screens for employability, it is a meaningless distinction, because both the employables and the unemployables are paid exactly the same.

Mr. ADAMS. If the gentleman will yield further, the gentleman's State and my own State, if they spend less on welfare, that is your third category, they have a savings, because this comes in with about a third of them; my understanding from what the gentleman said, then, is that any amount above the Federal benefit must be paid 100 percent by that State. Is that right?

Mr. ULLMAN. Let me go ahead and

explain this. A third of the States will drop welfare altogether, and just go on the federal system. A third of the States will be held harmless, in other words, all costs above 100 percent of the 1971 costs will be federalized.

If your State welfare goes above the 1971 costs, then the Federal Government will pay every dollar of benefits up to the 1971 level.

Then the third category, like the State of Oregon——

The CHAIRMAN. The time of the gentleman from Oregon has again expired.

Mr. MILLS of Arkansas. Mr. Chairman, I yield 5 additional minutes to the gentleman from Oregon.

Mr. ULLMAN. The third category is like the State of Oregon. Our costs will be below the 1971 level, so the hold harmless will not go into effect. All Oregon gets is this base from the Federal Government. So every dollar of our benefit levels above this must be paid for by the State.

Mr. MIKVA. Mr. Chairman, will the gentleman yield for one additional question?

Mr. ULLMAN. I yield to the gentleman.

Mr. MIKVA. Is it not also correct that if a State currently artificially reduces its costs in the year 1971, by knocking people off the rolls and slowing down the intake, it will then benefit that much more next year under the whole harmless clause because of the difference between this year and next year will be increased? I am not talking of the benefit rolls—I am talking of the caseload

Mr. ULLMAN. I believe the argument is that the caseload is going to be determined by the Federal Government, because the Federal Government determines the qualifications.

But the whole harmless provision says that your State puts in exactly into the kitty the amount that you spent in 1971. Whatever the cost is above that, the Federal Government pays 100 percent, plus the increased benefits on the food stamp cashout.

Mr. MIKVA. I thank the gentleman.

Mr. COLMER. Mr. Chairman, will the gentleman yield?

Mr. ULLMAN. I yield to the gentleman.

Mr. COLMER. The gentleman has made a very interesting presentation of his cause here and it is really tragic that we do not have more people to hear him. On the other hand, more tragic is that under the rule the gentleman will not have an opportunity to present his amendment here.

Now that brings us to the situation where the only way the gentleman can hope to have his philosophy adopted here as opposed to the committee setup is when the gentleman from Oregon who is now addressing us from the well makes his motion to strike and the House agrees with that motion, then he has an opportunity further to have his motion adopted.

Mr. ULLMAN. As I understand it, I will say to the gentleman, if I am recognized on my motion to strike title IV, then I will have 5 minutes to argue my motion and then thereafter 5 minutes given to the other side and that is all the debate there will be.

Mr. COLMER. That is correct.

Mr. ULLMAN. I think it is most unfortunate and I agree with the gentleman that we have a rule that does not allow full consideration of a viable alternative that has widespread national support.

I will say, I think we are making a terrible mistake. I would hope that in the future we avoid this kind of mistake where we are presenting something of this caliber and scope without at least giving the House membership a chance to vote on an alternative.

Your only opportunity now is to vote down title IV. As I said, I think you must do that in order for the committee to come back with a viable alternative. All I am saying to you here is that we have a viable constructive alternative which will give us welfare reform, which is the right direction to go in rather than taking us down this tragic road of a guaranteed income. And on top of this is the State-by-State hodgepodge of the hold-harmless provision which is really going to create a catastrophe in your State.

Mr. COLMER. Mr. Chairman, will the gentleman yield briefly?

Mr. ULLMAN. I yield to the gentleman.

Mr. COLMER. Mr. Chairman, having said what I have said about this tragic situation as to whether the gentleman would not be able to offer his amendment, I think I should say that we reported out the best rule we could get under the existing circumstances and in view of the previous histories of these matters. I think the gentleman understands that.

Mr. ULLMAN. I thank the gentleman for his consideration, which has always been most kind to me.

Mr. MILLS of Arkansas. Mr. Chairman, will the gentleman yield for a question?

Mr. ULLMAN. I yield to the gentleman.

Mr. MILLS of Arkansas. The gentleman also realizes that his proposition was discussed in committee for several days. Would the gentleman enlighten the committee as to the break-even point in his proposition for a family of eight and a family of four?

Mr. ULLMAN. We do not have a break-even point. We do not have any formula of this kind at all.

Mr. MILLS of Arkansas. Then how would it work in your bill—how would this supplement work in your provision to encourage people to work?

Mr. ULLMAN. Let me go into that very briefly.

There will be a new Federal agency provision for rehabilitation and employment and assistance and child care which would establish a major day-care program. You cannot have welfare reform without day care. Over 90 percent of the people on welfare that we are talking about are mothers with children.

Unless you have adequate day-care facilities you cannot even talk about putting them to work, and that is why under the present bill, where you have only tokenism as far as day care is concerned, you simply cannot have adequate welfare reform.

So my program, then, establishes major day care. Each agency will screen every welfare applicant as to employability, if they are employable, and if it is mothers of children, and day care is available, they never go on welfare. They immediately go under the Reach program in a training and rehabilitation status. Their payment is based on a percentage of the average wage in that area. You avoid all the problems of State-by-State welfare, all the complexities of State line inequities, and you apply what is certainly the most reasonable of all compensations, 40 percent of the average wage of the area.

On top of that, the chairman asked me the question about a widow of six getting $3,500 in a State welfare program. Under my program there is day-care available. She is classified employable. So, immediately she goes on the 40 percent of the average wage compensation. Her children are in a day-care program as soon as work is available. Suppose the wage is $2,600. All right. How do you adjust the difference of income from $3,500 to $2,600?

First, we would expect her to cash out her food stamps at her option. That would give her additional cash. Then on top of that, the working poor provision in my bill allows the "working poor" $60 a month work expense allowance—up to the national poverty level.

How is that enforced? The employer or employers submit a statement as to how many days this person worked, and if they worked up to a certain determined number of days—20, possibly, then they get the full $60. If they work only half time, they get $30 a month. This is a manageable working poor program. That allows us to make the transition between the welfare, high welfare levels, and the new Reach concept of employability.

Under my program, there would also be a new 20-percent tax credit to employers for employing Reach people. There is also major public service employment, with the Government being, if need be, the employer of last resort—though private employment will be a priority matter.

Mr. Chairman, I have only a minute left. I have taken altogether too much time. Let me say there is a viable alternative. Let me say this also: You cannot clean up the welfare mess by doubling the number of people on welfare payments, and that is essentially what you are doing if you adopt this bill. You do not bring uniformity into the whole system by holding half the States up at high levels, with the Federal Government paying the high level above the "hold harmless" provision in this bill. That is not the way to bring uniformity into the system.

I say, finally, that once you adopt the basic principle of a sustained guaranteed income, income maintenance, or whatever you want to call it, then every one of you and I are susceptible to the argument that this is not enough. That becomes the only argument, once you adopt the principle, and this basic payment here of $1,600 or $3,600 for welfare that you have in this bill is going to mushroom.

On top of that, if we are paying New

York above the "hold harmless" provision those high benefit levels that we are going to pay, with 100 percent Federal dollars, then we can no longer make the argument that we cannot do it for all the States.

So what you are going to do, if you adopt this bill, is to create unending problems for this Nation. I urge you to support the motion to strike title IV from the bill.

(Mr. BURKE of Massachusetts asked and was given permission to revise and extend his remarks at this point in the RECORD.)

Mr. BURKE of Massachusetts. Mr. Chairman, I would like to take this opportunity to affirm my support of H.R. 1, the new social security and welfare bill. This bill includes many important provisions, and I can only hope to mention a few in this short time. To begin with, the bill would create entirely new centralized assistance programs that would cover needy families with an employable member, needy families with no employable members, and needy aged, blind, and disabled adults. The many advantages of Federal administration of the program are obvious, and H.R. 1 provides a practical and comprehensive operating plan carefully tailored to the specific circumstances of those covered under the program. I must express my dissatisfaction with the level of payments under the new programs. I made efforts in the committee to raise these levels and was only partially successful. I would like to have seen at least a $3,000 annual payment for a family of four and Federal participation in the cost of State supplemental payments. I proposed such provisions be added to the bill, but the majority of the committee did not agree. I am convinced, however, that although the bill does not go as far in this regard as I think it should, there is no question in my mind that it is a vast improvement over present law and that the entire bill, including title IV should be adopted.

In the area of social security, the bill makes a number of significant changes which will greatly improve the existing program. A few examples are the extension of medicare coverage to social security disability insurance beneficiaries, the increase in benefits for widows and dependent widowers, the special minimum benefits of up to $150 for people who have worked under the program for many years at low earnings, the increased benefits for workers who delay their retirement beyond age 65, and the liberalizations in the method of computing benefits.

One of the most important provisions is the one which provides for automatic adjustments. Under this provision, social security benefits would be increased automatically according to the rise in the cost of living. In addition, the contribution and benefit base—that is, the upper limit on the amount of a worker's annual earnings on which contributions are paid and which are counted for benefit purposes—and the limit on the amount which a beneficiary can earn and still get all his benefits, would both be automatically increased on the basis of increases in average wages.

Although I am in favor of the bill as it stands, there are a few additional provisions which I think would make H.R. 1 far better. For one thing, today's social security benefit levels are simply inadequate. Although the automatic adjustments will assure that benefits are kept up to date as prices rise, the actual purchasing power of the benefits will not be increased. The 5-percent increase included in the bill is not enough. Too many social security beneficiaries still remain below the poverty level. I favor—and again I proposed in committee—that a 50-percent general benefit increase be provided at this time, so that when the automatic adjustment provisions first become effective in 1974 the benefits, when adjusted to price increases, will provide aged and disabled workers and their families, and for the widows and orphans of deceased workers.

A general benefit increase of 50 percent could be financed without raising social security contribution rates if there were an appropriate contribution from general revenues toward the cost of the social security program—a contribution equal to one-third of the total cost of the program. Such a contribution from general revenues is not unreasonable. Almost one-third of the total cost of the program goes to provide adequate benefit protection for older workers who were already middle aged when the program began or when their jobs were first covered and who, therefore, do not pay as much toward the cost of their protection as do these who work under the program over a full working lifetime. As a result, current and future workers will pay for their own benefits and for a substantial part of the benefits that are paid to people who pay contributions for a small part of their working lifetime. Since the economic well-being of the entire Nation benefits from a social security system which provides full protection for these older workers, the cost of providing this protection should be borne by the entire Nation through general taxation rather than by current and future workers and their employers.

I would also like to call attention to some distinct and much needed improvements in the provision—commonly called the retirement test—under which social security benefits are not paid in full to social security recipients under age 72 who work and earn more than $1,680. Although the changes made do not go as far as I would have liked—I have introduced bills proposing that an individual be permitted to earn an exempt amount of $3,000 a year with no loss of benefits—they do nonetheless substantially improve and liberalize the retirement test. The bill would increase the exempt amount from $1,680 to $2,000; this increase takes into account the increases in wages which have occurred since we last increased the exempt amount in 1968. Another improvement in the bill which I welcome provides that benefits would be reduced by $1 for each $2 of earnings above $2,000—there would be no longer a level at which $1 is deducted for each $1 earned. This improvement should help eliminate the disincentive to earn that exists at some income levels under present law by always assuring that the more a beneficiary works, the more spendable income he will have.

Those who continue to work after age 65 would also benefit by the provision in the bill which would increase a worker's old-age benefits by 1 percent for each year—one-twelth of 1 percent for each month—between the ages of 65 and 72 in which he did not receive social security benefits because of his work.

Mr. Chairman, I have believed for a long time that the social security disability provisions have been too restrictive for people who are blind and that the law should be changed to liberalize the requirements under which the blind can quality for disability benefits. As many of my colleagues know, I have introduced bills which would be even more effective than H.R. 1 for improving protection for the blind, and I will continue to work for these improvements in the future.

H.R. 1 does, however, include a provision that is encouraging to those of us who realize the extent of the employment problems experienced by blind people. Under present law, the blind person must meet a test of recent covered work in order to be insured for disability benefits. This means that usually he must have 5 years of work covered under social security during the 10-year period ending when blindness occurs. I maintain that this is an unrealistic requirement for a sightless individual, who faces formidable obstacles in striving to earn his livelihood. The bill would eliminate for the blind the requirement of recent covered work, so that they could qualify for disability benefits if they are fully insured—that is, if they have as many quarters of coverage as the number of years elapsing after 1950—or the year of attainment of age 21, if later—and up to the year of disability. For example, a 32-year-old person who becomes blind this year would be insured if he has 10 quarters of coverage—about 2½ years. A person becoming blind at an older age also benefits from the change. A person who becomes blind this year at the age of 50 would qualify if he has 20 quarters of coverage—5 years— regardless of when he acquired the 20 quarters. This is certainly more realistic and humane than telling this man that he cannot get disability benefits because his 20 quarters of coverage were not acquired at the right time to make him eligible.

Mr. Chairman, although I am somewhat disappointed with some of the provisions of H.R. 1, it is in my opinion an excellent bill. Its merits outweigh its limitations. I urge my colleagues to vote for the entire bill.

(Mr. BARRETT asked and was given permission to revise and extend his remarks at this point in the RECORD.)

Mr. BARRETT. Mr. Chairman, the bill before us, H.R. 1, may well be one of the most far-reaching, all-encompassing legislative proposals that this 92d Congress will consider. It is a very long, complicated, and complex piece of legislation. The bill as presented to the House at this time, would make a number of changes in the provisions of the Social Security Act relating to the old-age, survivors, and disability insurance program, the hospital and medical insurance program, the medical assistance program,

and the child welfare program. In addition, the bill would provide for a basic restructuring of the national welfare system by replacing the four existing federally aided public assistance programs by new Federal programs for needy families and for needy aged, blind, or disabled persons. The bill also would modify the provisions of the Internal Revenue Code relating to the retirement income credit and reductions for child care.

Much of what is in the bill has merit and is worthy of support. There are some provisions, however, which fall short of what should be our goal. The members of the Ways and Means Committee are to be commended for their attempt to liberalize the benefits provided to all classes of beneficiaries under the Social Security Act. The fully federalized program of welfare payments to the needy aged, blind, and disabled, established under a new title XX, also provides higher benefits to recipients and is a step in the right direction.

The across-the-board increase of 5 percent in cash benefits however, as provided in title I, with payments beginning July 1, 1972, is inadequate in light of today's costs and expenses. The bill proposes an increase in the minimum cash benefit for an individual from $70.40 per month to $74. I have long maintained that the minimum primary benefit for an individual should be $100 and have introduced legislation for that purpose. If H.R. 1 is approved by the House, in its present version, I certainly hope that the Senate will increase the minimum primary benefit to $100 per month.

It is unfortunate that there is no comparable increase under title IV of the bill in the benefit level under the aid to families with dependent children program. Title IV does make several positive changes in the welfare system. It provides aid, for the first time, to families with employed fathers. It also raises the payment level for recipients in States which now pay the least. However, it sets as a maximum benefit the figure of $2,400 per year for a family of four. This is a most interesting figure when one considers that the poverty level established by the Department of Labor is $3,720 per year. Further, recipients under the proposed program would be ineligible for food stamps. Frankly, I find great difficulty in reconciling the difference between these two figures. Is the Federal Government going to assume the full responsibility of welfare and then maintain payment level below the poverty line?

I believe that our position on title IV should be a considered one. It would be well to bear in mind the present high rate of unemployment and the headlines of yesterday and today. Yesterday's newspaper headlined the unfortunate news: "Welfare Rolls Up by 50 percent." These figures were contained in a report from the Department of Health, Education, and Welfare that children and parents on federally aided welfare rolls increased by 3,441,000 or 50 percent in less than 2 years. And this morning our Government also informed us that the cost-of-living index rose by 0.6 percent in May, which is further sad commentary on the state of the economy.

Mr. Chairman, I will support the motion to strike title IV of the committee amendment in the nature of a substitute and urge my colleagues to do likewise.

Regardless of the outcome of the vote on that motion however, and even though I believe that the minimum primary benefits for social security as set forth in the bill are insufficient. I will of necessity vote for final passage.

The CHAIRMAN. The gentleman from Oregon (Mr. ULLMAN), has consumed 35 minutes.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 15 minutes.

(Mr. BYRNES of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. BYRNES of Wisconsin. Mr. Chairman, H.R. 1 is a comprehensive bill. It includes not only fundamental and sweeping reforms of the present Federal-State-local welfare mess, but recommends significant improvements in the old-age, survivors, and disability insurance program, and the medicare, medicaid, and maternal and child health programs. The bill also includes miscellaneous amendments to the Internal Revenue Code.

The chairman has described these provisions in his usually thorough manner, and I will not go into similar detail. I intend to concentrate my remarks on the welfare reform provisions of this legislation, but before doing so let me briefly comment on what I feel are important amendments included in the other provisions of the bill.

SOCIAL SECURITY PROGRAM

Several significant improvements in the social security program that I have long favored are included in the bill. Although most of the amendments were included in the social security bill that passed the House last year but failed to become law, there are several improvements recommended that were not in that bill.

AUTOMATIC ADJUSTMENT OF BENEFITS

Mr. Chairman, the bill provides that social security benefits will be automatically increased in the future commensurate with increases in the cost of living. Automatic increases would be financed through automatic adjustments in the wage base to reflect increased earnings levels. The retirement test—the amount an individual can earn without losing benefits—would also be automatically adjusted to reflect increased earnings levels. The provision is essentially the same as the one approved by the House last year, except that automatic increases would not go into effect in any year if in the prior year Congress either enacted or made effective a general benefit increase.

The escalator provision corresponds to a proposal I have long favored and that the administration, with my strong support, recommended to the American people. It will avoid the long delays social security beneficiaries have sometimes experienced in the past before Congress enacted increases needed to maintain the purchasing power of social security benefits.

Under the escalator provision I sponsored and the committee initially agreed to, the first cost-of-living increase would in all probability have been payable for January of 1973—about a year and one-half from now. In view of the significant increase in payroll taxes we have recently enacted and are recommending in this bill to cover a 15-percent benefit increase granted last year, a 10-percent benefit increase this year, and structural improvements included in this bill, it seemed appropriate for benefits to be adjusted in the near future on the basis of actual changes in the cost of living and earnings levels that may occur.

Instead the committee approved an additional 5-percent benefit increase—payable next July—before the retirees had even received the checks for the 10-percent benefit increase that we voted earlier this year. While retaining the automatic adjustment provision for future years, the committee action makes it inoperative next year.

I personally feel that this was a mistake. Voting for an increase that is not payable until longer than a year has passed, is a disservice to both our elderly citizens and to those who are paying social security taxes.

INCREASED WIDOW'S BENEFITS

The bill entitles a widow or a widower age 65 to survivor benefits equal to 100 percent of the benefit of their deceased spouse. Under present law, a widow or widower is entitled to only 82.5 percent of their deceased spouse's benefit. The present law assumes a wife can get along on less than her husband would receive if he were the survivor. This assumption is contrary to fact. The committee amendment, in responding to the realities of the situation, would provide substantial assistance to 3.4 million individuals—mostly widows—during the first full year of operation.

This improvement—recommended by the administration—was included in the social security bill that passed the House last year. It has my strong support as an amendment much needed and long overdue.

INCREASE IN RETIREMENT TEST

The bill increases the retirement test—the annual amount that an individual may earn without losing social security benefits—from the present $1,680 to $2,000 per year. Additionally, under no circumstances will a dollar earned reduce benefits by more than 50 cents. Under present law earnings can, when they reach a certain level, reduce benefits by $1 for every dollar earned, leaving an individual—when work expenses are considered—with an economic loss if he continues to work. This amendment brings the retirement test more in line with present earnings levels. It will enable social security beneficiaries who are able and desirous of supplementing their income to have increased latitude to do so without suffering diminution in social security benefits.

INCREASED BENEFITS FOR THOSE WORKING AFTER AGE 65

The bill provides a 1-percent benefit increase for each year that an individual continues to work and not draw benefits after attaining age 65. In the last Congress, I introduced legislation exempting individuals over 65 from the payroll tax since by continuing to work they are declining to draw benefits that

would otherwise be payable. Although individuals continuing to work will ultimately draw benefits for a shorter period, present law continues to impose a payroll tax while providing no increase in benefits reflecting the additional taxes they pay and the shorter period over which they will draw benefits.

In focusing on this inequity, the committee decided to provide an increase in benefits to individuals who continue to work and pay social security taxes after age 65. This amendment, responding in a different way to the same inequity my bill called attention to, is an important improvement in equity for our elderly citizens who continue to work after age 65.

ADDITIONAL SOCIAL SECURITY AMENDMENTS

The bill also includes a series of social security amendments that are designed to improve equity for working couples, to extend to men the benefits of computation rules formerly available only to women, and makes other improvements in the program. Although important improvements in the program, they are generally of a technical nature. Since they are discussed at length in the committee report, I will not go into them here.

COST

Let me again, as I have in the past, emphasize that the benefit increase and program improvements contained in the bill require increases in both the wage base and the tax rates. We simply must give as much attention to the burden we are imposing as to the benefits we are dispensing.

The tax increases we have enacted in recent years and are recommending in this bill make payroll taxes a heavier burden for most taxpayers than the income tax. In 1965, the wage base was $4,800. Under H.R. 1, the wage base next year will be $10,200, an increase of over 100 percent in 7 years. The combined employer-employee tax rate in 1965 was 7.25 percent. Under the rates included in H.R. 1, the combined tax rate will be 10.8 percent next year and in 1977, 14.8 percent.

I believe we have gone about as far as we can or ought to go in imposing payroll tax burdens. Future liberalizations in the program must be weighed very, very carefully against increases in the tax burden that they will require. In view of the regressive nature of the payroll tax when considered apart from a wage-related benefit schedule, future amendments must place a high premium of improving individual equity and strengthening the insurance character of the program.

What I have said in the past bears repeating here with much greater emphasis:

> We simply must remember that the income that a worker can currently devote to future contingencies is limited by his ability to meet the immediate needs of his family. If the cost of social security cuts too deeply into daily living requirements, people will begin to make unfavorable comparisons between current costs and distant benefits. If the time ever comes that current workers are unwilling to bear the cost of providing benefits to current retirees, the social security system will be in real danger and those who will stand to lose most will be the current beneficiaries.

MEDICARE, MEDICAID, AND MATERNAL AND CHILD HEALTH

While the committee felt that it was important to enact needed improvements in the operating effectiveness of these health programs, the larger issues of completely restructuring medicaid in the context of a more uniform system was deferred until the committee considers various comprehensive health insurance proposals now pending before us. We recognize the need for remodeling of these programs and expect to undertake this task as the next order of business, when the committee concludes its current consideration of revenue sharing.

While this bill does not provide a remodeling, it does face up to some of the specific problems that were identified last year and this year in the committee's deliberations. The amendments to these programs are designed to improve efficiency, increase operating effectiveness, and remove inequities and abuses in the programs. While most of the provisions were included in the bill that passed the House last year, some of them were developed by the committee this year.

These amendments range from Federal matching for mechanized claims processing and information retrieval systems under medicaid to authority to experiment with alternative medicare reimbursement formulas providing greater incentives for economy and efficiency.

Since these amendments are discussed in detail in our committee report, I will not go into great detail. I should, however, briefly discuss several changes in the medicare program that have been of substantial interest to the members.

We do recommend an important change in coverage under the medicare program, by extending protection to the disabled after they have been receiving social security cash benefits for a period of 2 years. These individuals are probably more in need of health protection and less able to provide it for themselves than any other category of social security beneficiary. I believe the committee amendment meets a real need in a manner consistent with the requirement that costs in the medicare program be carefully controlled.

We have also changed the deductible and premium payment formula under medicare part B and made a change in the coinsurance payment for inpatient hospital benefits under part A.

Under the law, the Secretary of Health, Education, and Welfare must determine each December the amount of the premiums individuals covered under part B must pay in the following fiscal year to cover half the costs of the part B program. The other half of the costs are provided by the Federal Government from general revenues. Part B covers physicians' services—whether rendered in the hospital, the office, or the home—and other medical services. The cost to the elderly of the part B premium has increased from $3 in July of 1966 to $5.60 beginning the first of next month. This increase—nearly 90 percent—reflects the increase in the cost of medical services at a more rapid rate than other items in the economy.

The committee's bill provides substantial relief from increased premium costs in the future for elderly citizens. Under the bill, the premium would be increased in any given year only if social security benefits were raised since the last premium increase. Additionally, the premium increase could not be of any greater percentage than the percent by which social security benefits were increased—whether under the automatic provisions of the bill or by specific congressional action. Since health care costs have been rising faster than other prices in the economy, this provision should be of substantial assistance to the elderly and disabled.

The committee also decided to update the annual deductible attributable to part B. An individual is required to pay the first $50 of medical services incurred under part B in any year. The deductible has not been increased since the program was enacted in 1965, although costs of covered services have increased rapidly. In view of this, and in view of the substantial benefit provided by limiting the growth of premium costs, the committee has updated the $50 deductible to $60.

The committee amended the hospital insurance program—medicare part B—by adding a coinsurance fee of $7.50—one-eighth the average current cost of a day's inpatient care—for each day of hospitalization from the 31st through the 60th days. A coinsurance fee of $15 already is required under existing law from the 61st through the 90th days.

In making this change, the committee noted that present experience indicates 90 percent of medicare beneficiaries do not use more than 30 days of hospital care during a benefit period, and that cost-sharing at an earlier point in a benefit period hopefully would serve to increase the incentive for both beneficiaries and their physicians to make more effective utilization of in-hospital services.

Simultaneously with this action, the committee decided to double the "lifetime reserve" of medicare beneficiaries. Under present law, a beneficiary is covered for 90 days of hospitalization in every "spell of illness" and has access to 60 additional days on a once-in-a-lifetime basis. The committee decision would add another nonrenewable 60 days, thus providing a beneficiary with one-time maximum hospitalization coverage for 210 days, instead of 150 days as under existing law.

I am hopeful that these changes will improve the efficiency of the program and more equitably distribute the cost-sharing features of medicare over our elderly population while providing them with a measure of fiscal relief.

WELFARE REFORM—FAMILY PROGRAMS

Mr. Chairman, the core of the bill consists of welfare reform. It is, of course, also the most controversial part of the bill. Most of the problems are associated with "AFDC"—the aid to families with dependent children program.

I think we agree that the present AFDC program is a mess, and that fundamental reform—based on a completely different philosophy—is imperative. The controversy has unfortunately been aggravated by the circulation of misleading statements about both the present program and the committee bill. It may help to

briefly outline the sorry mess the AFDC program is in, to point out the basic defects of the present system that have caused this mess, and to show how the committee bill corrects these basic defects.

PRESENT AFDC PROGRAM

RUNAWAY GROWTH OF THE PRESENT AFDC PROGRAM

Between 1960 and the end of 1969, both the number of families and the number of individuals receiving AFDC more than doubled—from 789,000 to 1.8 million families and from 2.4 million to 7.3 million individuals—while the total costs of cash payments alone more than tripled from $1.1 billion to $4.3 billion a year. During this period, the Federal costs of AFDC payments increased from $656 million to $2.25 billion.

When welfare reform was before the House last summer, I pointed out the dramatic increase in costs and caseloads during the past decade, and emphasized that the deficiencies of the present program would result in continuation of this alarming trend. I regret to inform the House that the year elapsing since we last considered this matter has confirmed my apprehensions. The recently released statistics for March of this year include over 10 million people on AFDC—an increase of over 2½ million individuals in a little over a year. In the fiscal year that will begin in about 2 weeks, it is estimated that AFDC payments will be around $7 billion with the Federal share of the payments representing nearly $4 billion.

I repeat again this year—as I did last year—that unless comprehensive and fundamental welfare reform is enacted, this dismal picture of runaway growth will continue. HEW estimates that under current law the number of people receiving AFDC 5 years from now will approach 15 million individuals at an annual cost of over $9 billion for maintenance payments alone. The present program is going out of sight.

We simply must make an effort to determine what characteristics of the present program are allowing this self-defeating trend to continue, destroying the willingness of the taxpayer to support welfare programs, and dooming recipients to a life of hopeless dependency generation after generation. I think that anyone attempting to analyze this alarming growth trend will find the causes in several features of the present program. Let me briefly discuss them.

AFDC PROVIDES A GUARANTEED ANNUAL INCOME

The present program guarantees the huge and growing number of families on welfare an annual income that in some States exceeds over $4,000 per year for a family of four. In addition, these individuals are entitled to medicaid, and a food stamp bonus providing a tax-free benefits package in excess of $5,000 per year. There is no meaningful requirement in the present AFDC program that any individual take work or training, nor is relief conditioned on any effort the individual makes to help himself become self-sufficient. The philosophy of the program and those administering it is to maintain recipients at a guaranteed level of income, virtually without regard to their ability or willingness to help themselves. The present system is—by any definition I have ever heard advanced—purely and simply a guaranteed annual income.

AFDA IS MAINTENANCE ORIENTED RATHER THAN DEVELOPMENTAL

The present program emphasizes maintaining individuals in their state of dependency by guaranteeing them an annual income rather than attempting to develop the individual's capacities for self-support. The WIN program was aimed at assisting individuals through training and employment opportunities to become self-sufficient. We required welfare administrators to refer individuals in "appropriate" cases to the WIN program for training and employment. Unfortunately, the philosophy of welfare administrations in far too many States and localities—as well as in HEW—has been that it is inappropriate for welfare mothers to work and take training. The ambiguous word "appropriate" left far too much discretion to a maintenance oriented welfare bureaucracy.

In the cases where there was an attempt to make WIN work, efforts have been hampered by the division of responsibility over different levels of government, and between different agencies on the same level of government, by inadequate day-care opportunities, inadequate and dilatory arrangements for the payment of work and training expenses, and inadequate transportation where required. Welfare agencies often fail to cooperate with manpower agencies not only in referring individuals but in providing needed social services to keep an individual in work and training.

AFDC ENCOURAGES FAMILY DISINTEGRATION AND DISCOURAGES WORK

In those States—about half—that do not cover families of unemployed parents, a father must desert his wife and children in order to qualify them for this guaranteed annual income. In other States that do cover unemployed parents, a father can qualify his family either by leaving them or becoming unemployed or employed on a part-time basis. The eligibility criteria—desertion and idleness—are disastrous for the families involved as well as the taxpayers asked to support welfare programs. But in view of the substantial economic incentives the present program provides for welfare over work, the father of a low-income family is virtually required to choose welfare.

The economic incentive for family disintegration and idleness varies from State to State and can be illustrated in several ways.

Let me begin by giving an illustration of my own State of Wisconsin which has an AFDC standard for a family of four of $2,604 per year. This relatively moderate standard, which is quite close to the median for all the States, provides a typical welfare family of a mother and three children $217 per month.

Consider the plight of a father of a family in Wisconsin supporting his wife and three children from a job that pays him $1.50 per hour. His gross income at $1.50 per hour on a monthly basis is $260. After deducting from his gross earnings work expenses—commuting costs, payroll taxes, and special clothes he may need, which are estimated at about $60 per month by the Department of Labor—the individual will have a net income of $200 a month for himself, his wife, and his three children.

His family is not eligible for any assistance under the current AFDC program but if the father deserts his family, they will be eligible for benefits of $217 per month. The family will be $17 ahead in cash income and have one less mouth to feed, one less person to shelter, and one less individual to clothe. This is the substantial economic incentive that exists for welfare over work in a moderate benefit State.

This is the situation in a State with a moderate benefit level. The incentive to choose welfare over work is even greater in higher benefit States—some which pay over $4,000 for a family of four. Let me illustrate this incentive by indicating the hourly wage the father of the family in my example would have to earn in various States to be as well off working as he would be on welfare. In New Jersey the father would have to earn $2.35 per hour; in New York $2.23 per hour; in Michigan $2.09 per hour; in Massachusetts $2.01 per hour; in Illinois $1.93 per hour; in California $1.67 per hour; in Oregon $1.64 per hour; and in my own State of Wisconsin $1.60 per hour.

There are 5½ million people according to the Department of Labor employed full time at wages below the minimum wage of $1.60 per hour. Yet, as I have demonstrated, an individual with a large family must earn far more than this in most States in order to have an economic incentive to take the work route instead of the welfare route. Nearly half of the 2.6 million families on welfare currently reside in States where an individual must earn more than the minimum wage for his family to be as well off with him working as they would be on welfare.

Mr. Chairman, with these economic incentives for family disintegration, is it any wonder that female-headed families are increasing three times faster than the population generally? Is it any wonder that the number of AFDC children whose fathers have absented themselves from their homes have increased from about 200,000 in 1940 and less than a million in 1950 to over 5 million today with the end not in sight? Is it any wonder that the costs and number of recipients are growing in geometric proportions in recent years? We simply cannot continue these kinds of incentives.

AFDC PERMITS PARENTS TO DESERT WITH IMPUNITY

The present AFDC program makes very little effort to locate a deserting father and charge the costs of supporting his family against his earnings. States are required to have a separate organizational unit responsible for establishing paternity and securing support from deserting parents through cooperative arrangements between States and use of the Uniform Reciprocal Enforcement of Support Act. However, the track record for chasing deserting parents is uneven among the various States and localities, with most turning in very poor performances and all capable of doing an infinitely better job. Before we charge the costs of supporting an individual's family against the taxpayers, we must make every effort to require him to discharge

his own legal obligations to support his family.

FINANCING OF PRESENT AFDC PROGRAM IS OPEN ENDED

Under present law, the Federal Government participates in the costs of State and locally administered AFDC programs under two different formulae:

The Federal Government pays five-sixths of the first $18 of the average monthly payment to recipients. The Federal Government pays a varying percentage—based on each State's per capita income—for that part of average monthly payments between $18 and $32. The applicable percentage varies from 50 percent to 65 percent. No matching is available for average payment dollars in excess of $32.

Alternatively, the States can elect to use their medicaid reimbursement formula with respect to all of their cash assistance programs. This formula varies between 50 and 83 percent and applies to the total amount paid—there is no $32 limitation. In general, States with higher than average AFDC payments—those with average payments in excess of $32—elect to use the medicaid formula. There are 30 States—including the District of Columbia—presently using this alternative formula, up from about 18 a little over a year and one-half ago.

Under the present program, the States can increase their benefits to relatively high levels knowing that the Federal Government will be at least a 50-percent partner in the increase. Although Congress, if specifically asked to do so, would undoubtedly not agree to benefit levels to a family of four in excess of $4,000, the openended provisions of existing law make them a 50 percent partner in paying benefits this high.

Under the present open-ended provisions, the States simply spend the money and present the bill to the Federal Government, the Federal Government having no alternative but to pay. This is undoubtedly one of the reasons why public assistance payments—one of the "uncontrolables" in the Federal budget—have increased so dramatically in recent years.

PRESENT AFDC PLANS VARY WIDELY AS THE ELIGIBILITY STANDARDS, BENEFITS, AND ADMINISTRATION

State plans currently contains wide variations in the manner in which resources—a person's home, personal effects and other property, as well as its value, are accounted for in determining eligibility. Payment standards vary widely from State to State, ranging from a low for a family of four of $720 in Mississippi, to a high of 4,164 in New Jersey. Some States pay only a percentage of their defined need, while other States pay 100 percent of defined needs.

Only about one-half of the States covers an unemployed parent, while in the other States, a father must leave home to qualify his family for welfare benefits. Some of the States, solely at their own expense, have covered working poor individuals.

Administration is cumbersomely sprawled over every level of government, in some States being administered directly by the States, and other States being administered through units of local government with State supervision. The turnover among case workers is high—about 37 percent nationally. The average cost per case of administration and particularly of social services varies widely from States to States. Some States are making an effort to transfer people from the welfare rolls to the employment rolls, although with inadequate tools, but for the most part very little emphasis is placed on rehabilitation.

This lack of uniformity creates inequities among the States in programs financed to an increasing extent with Federal dollars, and may provide some incentive for migration from lower benefit States to higher benefit States where employment opportunities may be circumscribed and assistance costs much higher.

REFORM OF FAMILY PROGRAMS

That describes the present mess, Mr. Chairman. The AFDC program has simply grown like topsy. It is sprawled cumbersomely over several levels of Government and divided inefficiently between agencies on the same level of Government. No one seems to be in charge. To the extent any philosophy emerges from this chaos, it emphasizes welfare over work, favoring the public dole over an honest day's labor.

What we need is a fresh start, a new beginning, a fundamentally different welfare philosophy. The committee bill provides a new beginning based on a fundamentally different welfare philosophy. Let me describe this new philosophy as I understand it. The family is the basic unit of social organization. The breakdown of the family unit will, in the long run, impose the greatest individual and social costs. Our welfare laws should promote family stability rather than encourage family disintegration. This is the philosophy underlying H.R. 1.

An individual should be encouraged to provide for his family through his personal efforts in the labor market. A guaranteed annual income will weaken rather than strengthen family stability. Welfare reform that attacks the causes rather than ameliorates the symptoms of poverty must insure that the family is part of the economic life of the community. And this means work—a steady job enabling the individual to produce to the best of his capabilities. his is the philosophy underlying H.R. 1.

Gainful employment will be the best individual and family therapy we can provide. A job will occupy the individual's time and energies, enable him to develop work habits, acquire skills, and feel a sense of pride in his own self-sufficiency. It will provide the foundation for upward mobility—both socially and economically. This is the philosophy underlying H.R. 1.

Employment of the parent will increase not only the individual's self-respect but the respect that they receive from their families. Additionally, the children will be daily reminded that there is a correlation between economic well being and individual effort, and that skills, training, work habits, and a proper attitude are valuable assets. This is a lesson that must be communicated if we are to end the cyclical dependency from generation to generation we too often find among welfare families. This is the philosophy underlying H.R. 1.

Let me outline the basic features of the new program through which this new philosophy is implemented.

COVERAGE OF WORKING POOR PROMOTES FAMILY STABILITY AND WORK

In about half the States, the present program does not provide any assistance to the family of a fully employed working father no matter how poor they may be. When an individual in these States earns less from working than his family would receive on welfare, there is a positive incentive for him to qualify his family for welfare by leaving home. In those States that cover unemployed parents, the individual can either leave home or become idle.

These substantial incentives—which I have described in detail—are destructive of our basic values as a society and counterproductive, transferring individuals supported through gainful employment to the welfare rolls. We must reverse this flow if the present welfare mess is to be brought under control. An indispensable tool in directly attacking these perverse incentives is covering the working poor.

Equity also requires that we cover the working poor. It is simply unfair to say that an individual who is poor although working full time is not entitled to assistance while an individual who does not work at all can receive assistance. Since I believe most fair-minded individuals would agree with this statement, it is difficult to see why anyone is opposing coverage of the working poor.

NEW PROGRAM IS WORK CENTERED

Unlike the present AFDC program, the program is not a guaranteed annual income—a "maintenance" payment an individual receives regardless of his willingness to take work or training. The new program is work centered, with assistance conditioned by an individual's willingness to strive for self-sufficiency through the training and employment opportunities provided.

We do this by clearly separating the employables and the unemployables for the first time in the history of the program. Responsibility for employables is clearly placed on the Secretary of Labor under the opportunities for families program—DFF; the Secretary of Health, Education, and Welfare will be responsible only for the unemployables through the family assistance program—FAP.

Under the bill, able-bodied adults—with the exception of mothers with children under age 6 before 1974, and age 3 thereafter, and wives of a working poor father—would be required to register with the Labor Department for work and training. If a father refuses to register, the mother would be required to do so. Individuals working full time would still be required to register in order to upgrade their skills. Adults not required to register would be encouraged to voluntarily register and the experience of the WIN program indicates that many will do so. Individuals who are excused from registering for work or training because they are incapacitated would be required to take vocational rehabilitation.

Centralizing responsibility for em-

ployables in the Department of Labor and clearly spelling out in the law who must register will avoid the "buck passing" that has too often characterized our past efforts. Substantial penalties for failure to comply with the work and training requirements will be promptly enforced. An individual who fails to comply with these requirements subjects his family to an $800 per year reduction in benefits. In the case of a four-person family entitled to $2,400 per year under the bill, this is a reduction of one-third of the family benefits. Additionally, he may lose a $30 per month training allowance so that the difference between taking training and failing to comply may be as high as $1,160 on an annual basis.

The strong and specific requirements are part of a two-pronged approach that also includes incentives. The bill provides that in computing benefits, the first $720 per year—$60 per month—of earnings and one-third of any additional earnings will be disregarded. Any remaining earnings reduce benefit payments dollar for dollar.

This means that if the head of a four-person family earns $200 per month or $2,400 per year, the family will have total income of $3,680. If the individual refused to register for work and training the family would receive only $1,600. The family is over $2,000 better off with the family head taking training or working. This more than 100-percent increase in income is a substantial incentive for the individuals to make every effort to help themselves.

It is expected that during the first full year of operation, 2.6 million families with 13.9 million individuals would be registered in the opportunities for families program under the Secretary of Labor, while 1.4 million families with 5.5 million individuals will be registered in the family assistance plan under the Secretary of Health, Education, and Welfare.

The 1.4 million families with 5.5 million individuals in the HEW administered FAP program are present AFDC beneficiaries who will not be immediately referred to training and employment, primarily because they are female headed families with preschool children.

These 1.4 million families and 5.5 million individuals must be contrasted with the 2.6 million families and 10 million individuals presently on welfare. What we are actually doing is requiring that 1.2 million families with 4.5 million individuals—about 45 percent of those currently on AFDC—look for their support in the labor market rather than through welfare.

Additionally, those not required to register with the Secretary of Labor would have a real incentive to volunteer for the greatly improved work and training under the bill and experience with the WIN program indicates that many could be expected to do so. The bill provides that after 1973, a woman would have to register unless she had children under 3, transferring 400,000 families with 1.2 million individuals from the FAP to the OFF program. Finally, individuals retained in the FAP program by reason of a disability would be referred to vocational rehabilitation services.

NEW PROGRAM EMPHASIZES INDIVIDUAL DEVELOPMENT LEADING TO SELF-SUFFICIENCY RATHER THAN MAINTENANCE PAYMENTS

An Assistance Secretary of Labor is created by the bill and charged with the specific responsibility of moving people from the welfare rolls to the employment rolls. He is provided with a wide array of tools to accomplish this task—increased day care, additional training slots, and necessary supportive services.

The Auerbach study found that the lack of adequate day care was a severe impediment to WIN. We have avoided that pitfall by providing the Secretary of Labor himself with adequate resources to provide day care to those registrants who need it.

During the first full year, an increase of $500 million in child-care funds—a total of $750 million in all—is authorized. This would provide a total of 875,000 day-care slots, 291,000 for preschool children, and 584,000 for afterschool care. This is an increase of 450,000 slots—150,000 for preschool care and 300,000 for afterschool care.

Additionally, by paying for her own child care and deducting the amount incurred from her income included in computing her family benefit, a mother could secure her own day-care arrangements. This will further enlarge the amount of funds available for day care. No woman would be required to take training and employment unless there is adequate day care available for her children.

We greatly improve and substantially augment needed training. The bill provides for an increase in training funds during the first full year of operation from $200 to $500 million—an addition of $300 million. The number of training slots would be increased by 225,000—from the 187,000 slots presently available under the WIN program to 412,000 slots. This would be an addition of 150,000 full-time training slots and 75,000 upgrading training slots.

And we provide the Secretary of Labor with the responsibility and resources to insure that employment and training-related expenses, training allowances, and necessary supportive services are provided. Again, we have placed the tools to do the job where we place the responsibility for results. The Auerbach study showed that delays in the payment of work or training-related expenses—uniforms, transportation, lunch—by the welfare agency often contributed to the individual withdrawing. In some cases, the expense payments were inadequate, intentionally nullifying the intended effect of the $30 per month WIN training incentive from manpower programs. Similarly, supportive services essential to employment—a required medical exam or family counseling—were often not provided by the welfare agency. There will be no passing the buck through fragmented responsibilities for these employment-related services under the committee bill—the Secretary of Labor has both the job and the tools.

Finally, we establish a program of public service jobs leading to employment. The WIN "special work projects" have proven disappointing, in large part again due to fragmented responsibilities and the inability or unwillingness of local government to provide their share of the program costs.

The Secretary of Labor would—through grants or contracts with public or nonprofit private organizations—provide for public service jobs. During the first full year of operation, $800 million is authorized to create 200,000 public service jobs.

We are not providing dead end make work with a governmental employer of last resort. By providing 100 percent of the costs of employing an individual during the first year of his employment, 75 percent during the second year, 50 percent the third year, and nothing thereafter, the Federal Government provides incentives for public service employers to move participants on to regular payrolls.

UNIFORM ELIGIBILITY CRITERIA, BENEFIT STANDARDS, AND ADMINISTRATION

The bill establishes uniform eligibility criteria relating to resources and assets as well as their valuation. A uniform benefit standard is established for the basic Federal payment equal to $2,400 for a family of four. The maximum benefit payment for a family—regardless of size—is $3,600. These benefits reflect the cash-out of food stamps—individuals receiving family assistance will not be eligible for a food stamp bonus.

Uniform rules and a basic Federal payment will substantially narrow the disparities among States and reduce the incentives for migration to the high-cost urban areas of the larger States that pay higher benefits. The present benefit payable to a family of four ranges from $720 per year to $4,164 per year. While disparities will continue to exist due to some States electing to supplement the basic Federal benefit, the $2,400 floor for a family of four substantially ameliorates the problem.

Since the States can save administrative costs by having the Federal Government administer supplemental payments—and must do so to avail themselves of the hold-harmless rule I will discuss in a minute—the Federal Government will administer the new program. By providing for a national administration pursuant to uniform standards, the inefficiencies of the present administrative structure—sprawled cumbersomely across every level of Government with responsibilities hopelessly fragmented—are avoided.

The new administration will not in any case use a simple declaration system. Verifiable evidence of eligibility—similar to that required in the social security program—will be required. Earnings, which will be cross-checked against social security and income tax data, must be promptly reported, and failure to do so will result in substantial penalties. Individuals guilty of fraud may—as in the case of the social security program—be imprisoned for up to 1 year.

We must restore the confidence of the taxpayer in the integrity of our welfare programs. This new administrative structure provides the basis for doing so.

NEW PROGRAM IMPOSES OBLIGATION OF SUPPORT AGAINST DESERTING PARENTS

Under existing law, individuals can desert their families virtually with impu-

nity due to the ineffective enforcement of support by State and local agencies and the difficulties they encounter chasing individuals across State lines.

The new program resolves this problem by imposing an obligation to the United States against the deserting parent for any Federal payment made to his family reduced by the amount of contributions he actually makes for their support. Additionally, any parent of a child receiving benefits who travels in interstate commerce to avoid supporting his child would be guilty of a misdemeanor and subject to a fine of $1,000, imprisonment for 1 year, or both.

WELFARE REFORM—ADULTS

The bill also provides for Federal assumption of a greater portion of the costs of providing assistance to the so-called adult categories—the aged, blind, and disabled. The adult categories have been a more stable group and have not presented the significant problems for Federal, State, and local government that we have encountered in the AFDC program.

However, a review of the program convinced the committee that reforms were possible and desirable in this part of our welfare program. Under the committee's bill, the Federal Government would administer the adult program in accordance with uniform eligibility and benefit standards. An elderly, blind, or disabled individual with no other income would be entitled to $130 per month in fiscal 1973, $140 in fiscal 1974, and $150 in fiscal 1975 and thereafter. The comparable standard for a couple would be $195 in fiscal 1973, and $200 thereafter.

The States could, if they chose, supplement these basic Federal benefits with their own dollars, and contract with the Federal Government to administer these supplemental payments. The Federal Government would bear all of the administrative costs of the program in any case where they administer the State supplementals.

FISCAL RELIEF—STATE SAVINGS AND THE HOLD HARMLESS RULE

For most States, the new Federal floor—financed wholly from Federal funds—provided under the adult and family areas will result in State savings, even though the State supplements these benefits up to their existing benefit standards. This is due to savings in administrative costs and because the proportion of the total benefits that will be paid by the Federal Government under the bill is a greater part of the total benefits that will be paid than the Federal share of benefits paid under current law.

However, some States, if they supplement Federal payment up to their existing benefit standards—adjusted to reflect the food stamp cashout—would lose money under the new plan, either in their adult category, and family category, or both. The committee bill therefore provides that the Federal Government will insure that States supplementing the Federal benefit up to their benefit standard on January 1 of this year—adjusted for the food stamp bonus—will not incur costs under the new program in excess of those costs they incurred in calendar year 1971 for their existing categorical welfare programs. They would, under the bill, be "held harmless" against any growth in payments due to increased numbers coming on the rolls, but not due to any increase they make in their welfare standards.

CONCLUSION

Mr. Chairman, this is a comprehensive and involved bill. I have already consumed more time than I had intended, but I think the issues are extremely important. The real controversy is created by our proposed reform of the existing mess represented by our AFDC program. These reforms are contained in title IV of the bill, and I have tried to clearly indicate how much more preferable the new plan—based on improved administration, centralized responsibility, and programs for developing self-sufficiency—is to the present program.

Let me make it clear that there are no meaningful alternatives to the committee's proposals.

The gentleman from Oregon, whom we all respect and to whom we must give great credit for the time and attention he has given to this program, has recognized some of the fundamental problems that exist. The only trouble is he does not propose a meaningful solution to the problems, since 54 different AFDC plans would continue to exist under his bill.

He does not face up to the problems of the working poor, which result in part from the number of individuals in the household. A single individual with a given level of income may have no problem in making ends meet. But you add onto that single individual the responsibility for caring for four or five additional people, and he does have a real problem. It is impossible in some cases to make ends meet.

This is one of the purposes of welfare. That is why under the present program we do not provide assistance for adults other than the aged, the blind, and the disabled. However, as to any other adults we do not have any Federal assistance program for them. The AFDC program was created and maintained for the welfare of children. This is the program we are having so much trouble with at the present time. The problem from family to family differs, using the same level of income, depending on the size of the family. Yet Mr. ULLMAN's bill makes no differential in the assistance provided unemployable people based on varying family sizes.

I also cannot understand the gentleman from Oregon suggesting that we are setting up a numbers game under the new programs. You have a numbers game today—clearly directed to encouraging family desertions and family breakups. Why? Because by not covering the working poor, we provide an incentive under the existing program for family breakup and idleness.

The gentleman's charts show this. They point out that under today's program, we have a situation where an individual's earnings are less than his family would receive if they were on welfare.

Mr. ULLMAN. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman.

Mr. ULLMAN. The gentleman said, and it was stated here before that the welfare system was encouraged or even mandated more breakups. I think the gentleman will recall that we had a study presented to the committee on this matter which showed that the State of New York that does have an unemployed father program, and in other words where it does not make any difference whether the father is in the home or not in the home, so far as welfare payments are concerned—that the family breakups were greater in New York than it was in other States where they did not have unemployed father programs. Is that not true?

I just do not think you can blame the family breakups on the welfare system because the statistics and the facts just do not back that up. It is a fact of life.

Mr. BYRNES of Wisconsin. I do not believe the New York experience justifies this condition. Additionally I do not know how you can compare New York, frankly, with any other State. I have great difficulty when you look at New York and try to compare it with the situation in any other State.

Mr. ULLMAN. It is true in almost every State in the Union where they have an unemployed father program.

Mr. BYRNES of Wisconsin. But New York does not have a working poor program comparable to the working poor program—with strong work incentives—established by this bill. They do not have a program insuring an individual working 40 hours a week that his family will be economically better off if he remains with his family and continues to work full time.

Instead they provide a bonus for family disintegration by warning the family they will be economically better off if the father leaves home. The gentleman knows that very little effort is currently being made to trace deserting fathers and charge them with the financial responsibility for supporting their families.

Mr. CAREY of New York. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from New York.

Mr. CAREY of New York. The gentleman has referred to the program in New York. The one thing that we have to keep some kind of control on welfare in New York City, to keep the caseload down, is the working poor program. We actually have 25,000 people going off welfare every month in New York, and you do not hear about that. Where do they go? They go under the working poor program. The work incentive is there.

Mr. BYRNES of Wisconsin. I am not familiar with the situation in every State, but for the most part an individual who is working does not become eligible for supplemental assistance in New York until they have first become eligible for welfare; is that not correct?

Mr. CAREY of New York. That is correct.

Mr. BYRNES of Wisconsin. Once you go on welfare, then you can start drawing checks. Then you can go to work and have a supplemental welfare check. If you never went on welfare, you cannot get any supplementation, except under a very limited and restricted program for

the working poor that New York has financed with its own funds.

Mr. CAREY of New York. That is correct. That is a defect in the program.

Mr. BYRNES of Wisconsin. That is one of the defects in the present program, even in States that do cover unemployed parents. You force the individual to go on the welfare roll before he is eligible for assistance. Then if the individual moves into work, they end up better off than if they had not gone on welfare. Everything is stacked toward the idea of trying to encourage people to go onto welfare.

We have got to realize that this element must be eliminated from the system. That is why we establish a program for the working poor that so many of my colleagues have such great difficulty in accepting and understanding. We prepare a system that gives these individuals every encouragement to stay at work and help themselves instead of the present incentive to go on welfare.

Mr. CAREY of New York. Mr. Chairman, will the gentleman yield further?

Mr. BYRNES of Wisconsin. I yield to the gentleman from New York.

Mr. CAREY of New York. I just wish to point out that that has been in effect in the past. You had to go to the Welfare Department to go on the relief roll and then get the supplementation. In a sense, you were going to welfare training to get work. In this bill we do not do that. A person is qualified as employable because the Labor Department so considers him. He is kept working and off the welfare roll. We will save $2,400 by paying $700. Is that how it works?

Mr. BYRNES of Wisconsin. That is exactly the point I am trying to make. I thank the gentleman. That is exactly the difference between the two programs. That is why the present program does not work and why we have a mess. It is why the program we are proposing has real advantages and, as far as I am concerned, is the only program that will succeed. If you strike title IV because it approaches this problem on this basis, all you are going to end up with is the present unfairness, the present encouragement to desertion, the present incentive for people to go onto welfare.

In view of these economic incentives for family disintegration, is it any wonder that female-headed families are increasing three times faster than the population generally?

Mr. DENNIS. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Indiana.

Mr. DENNIS. I submit, with all the greatest respect, which I have certainly both for the gentleman in the well and for the distinguished chairman of the Committee on Ways and Means, that is grossly unfair to pitch this debate on the basis of your bill versus the present system, and to at the same time present us with a rule which gives no other alternative. If we had a respectable rule in here we could talk about the present system, and your bill, and Mr. ULLMAN'S bill, for instance; or I might get up here to offer an amendment which would accept your bill for a limited period of time and space, in order to see how it would work out. Nobody really knows how it is going to work out, and whether we will get all these extra people off the welfare rolls or not. We have to buy that on faith.

We could have had a rule which would give some alternatives, instead of saying "Take the present system or leave it," or instead of saying, "You have to take our system because it is better to take the present system."

I submit it is an unfair approach.

Mr. BYRNES of Wisconsin. We have examined the alternatives. I have discussed some of the defects of the alternatives presented by the gentleman from Oregon (Mr. ULLMAN). He has done a lot of work, but I believe there are some basic defects in his proposal.

I am suggesting that one of the basic defects is he is unwilling to recognize the problem of the working poor. That is also a problem of other proposals that have been made.

The committee perhaps would look differently on this subject if it were not for the fact that we have been working on this crisis, on this mess, for almost 2 years. In fact, it goes back before that, because we were aware of the outlines of the problem in 1967 when we thought we made corrections to move us in the right direction. The very fact that we left the administration with the work-training provisions, along with the entire program up to the States, that we did not have a national minimum standard, that we did not make structural changes, resulted in our proposals failing.

Not only have we been concerned about those problems for over 2 years, but let me also say to the gentleman that the committee spent practically a full year intensively trying to find avenues to correct this problem.

We held hearings in the fall of 1969. We worked on the problem for the first 2 months of last year, reporting a bill to the House on March 11. That legislation passed the House, but as the gentleman knows, was not passed by the other body. We worked another 5 months this year. We were on this bill continuously from the end of January until the end of May on this legislation.

Let me emphasize to the gentleman—and I am sure the chairman will bear me out—we were receptive to any kind of an alternative. We were looking for and seeking alternatives. All we can say is that the alternatives we did look at were found wanting, so far as satisfying the fundamental things we thought had to be done.

The No. 1 change we must make is to encourage work, and to remove the disincentives to work. We must accomplish this objective if we are going to find a solution to our present problems. As I pointed out, the gentleman from Oregon (Mr. ULLMAN) does not, in my judgment, face up to that particular problem.

Now, the gentleman says that he would be willing to experiment and try this out. Let me suggest to you that that is exactly the attitude this committee is taking. The present law is permanent law. It has no expiration date. It is open ended. All of the legislation has no expiration date.

We replaced aid for dependent children with this new program. But what do we do? We say it shall expire after 5 years. Why? Not because we think the system is not going to work, because we think it will work. I think it will. I think it is our only solution to this crisis. But the expiration date says to the Congress and the country, "Keep looking—keep examining this program and see if there are deficiencies; see if there are some better alternatives, because the entire program will be reviewed from stem to stern 5 years from now. It expires in 5 years and we will either have to extend it then and make whatever corrections are necessary or replace it."

So we really do, quite frankly, try to address ourselves to this limitation of time that the gentleman suggests.

Mr. DENNIS. Why not try a limitation of space, too? Try it out in a limited space.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 5 additional minutes.

Mr. Chairman, I do not know how you could have a program like this and discriminate by putting it into effect in one State while saying to the other 49 States that they cannot have it. I do not know how you can do it, frankly, and I do not think that that is the way to do it. I think what we start out with here—and let me say his in all honesty to the gentleman—is an attempt to restructure the program on the basis of a new philosophy.

The basis of this philosophy is that no one will be better off on welfare than he is working. That is the reverse of the existing programs that make a family better off on welfare than they would be working, while predicating eligibility on desertion and idleness. This is the heart of the problem. Those are the ingredients of the present system that make it fall on its face. This is what makes everybody—welfare recipients, taxpayers, and everyone connected with the present program—so unhappy with the existing mess.

Mr. MYERS. Mr. Chairman, will the gentleman yield to me?

Mr. BYRNES of Wisconsin. Let me yield to the gentleman.

Mr. MYERS. I thank the gentleman for yielding.

Will not the provision for supplementary income actually encourage employers to pay only the minimum wage and advise their employees to go to welfare to get the rest of their wages?

Mr. BYRNES of Wisconsin. No. As far as I can see, this would not influence an employer's judgment. We are recognizing that we have a social problem in these cases as a result of what the low level of the family income when compared to the size of the family. This is the very fact that the gentleman from Oregon does not recognize. This is not a factor that any employer is in an appropriate position to base a wage scale on. He cannot pay a person with a family

of five at a different rate than he pays a worker with only two children, if they are performing essentially similar tasks. I therefore, do not think this will have an impact on the wage market.

Mr. MILLS of Arkansas. Will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the chairman of the committee.

Mr. MILLS of Arkansas. Let me remind the gentleman from Wisconsin that there is a provision within the bill that requires this individual, if he is assigned to a job, to receive the prevailing wage for that work, the minimum wage if it is covered employment under the minimum wage law and, if it is not covered employment, not less than the $1.20 an hour.

There is no way in the world that an employer could put one of these persons doing job A side by side with another person doing job A and make a distinction in the pay of the two individuals.

Mr. BYRNES of Wisconsin. The gentleman from Arkansas is absolutely right. I thought the gentleman was addressing himself to wage levels themselves and expressing concern that employers might refuse to pay wages at a certain level because they would have this group of employees who would have their income supplemented. As regards a specific job an individual would be required to take, the bill does require that the job pay the prevailing wage or the minimum wage if applicable or an individual could refuse to accept it without incurring a penalty.

Mr. MYERS. Mr. Chairman, if the gentleman will yield further, there is no termination provided in the committee bill for this type of payment. It could go on forever, once you start supplementing income. It could last for at least 5 years; could it not? There is no provision to really get this employee or worker into a better job?

Mr. BYRNES of Wisconsin. Oh, yes; the incentive is to keep moving up the income scale, to maintain efforts to improve earnings.

Mr. MYERS. Mr. Chairman, if the gentleman will yield further, if he has that kind of motivation, he could probably not be in this position. But my point is that there is nothing in this bill that encourages this individual to do better.

Mr. BYRNES of Wisconsin. It says that every dollar an individual earns will make him better off economically.

Mr. MYERS. If he had that type of motivation he would not be on welfare anyway.

Mr. BYRNES of Wisconsin. They are on welfare because that is where the present system encourages them to be. Unless you change it, it will continue that way.

Mr. MYERS. There is nothing I see in the bill that would bridge the gulf of the present system.

Mr. MILLS of Arkansas. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the chairman of the committee.

Mr. MILLS of Arkansas. In the case of the working person not one member of that category will receive one penny under this bill even if he works 40 hours a week without accepting additional training that is offered to him to upgrade his skills. That is the inducement.

As the gentleman from Wisconsin (Mr. BYRNES) pointed out the other inducement contained in the bill is that he is always better off as a result of the money which he makes.

Mr. BYRNES of Wisconsin. I think this is the most effective incentive. Our entire economic system is predicated on the concept that an individual is to be better off working. That is the philosophy which we have built into this bill, but which is lacking in the present system.

Mr. MIZELL. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from North Carolina.

Mr. MIZELL. I thank the gentleman for yielding.

I have some concern on this one point: Under H.R. 1 a man who is classified as a worker would receive a subsidy while he is working. Now, if he did get an increase in salary then, of course, he would lose a certain amount of his subsidy that would be coming from the Government.

Mr. BYRNES of Wisconsin. Not all of it though. He is still going to be better off working.

Mr. MIZELL. Mr. Chairman, if the gentleman will yield further, this is the point I would like to make: Would it not be easier for him to turn to the Congress and say, "Increase the subsidy I am receiving," in order that he would not lose any of his benefits, rather than increasing his productivity and increasing his salary?

Mr. BYRNES of Wisconsin. If he is successful in making additional money he is going to be economically better off, his total income will increase.

No matter what the level of Federal assistance he is receiving, no matter what level of income he receives, if he adds to his income through a better job, he is going to end up with more dollars in his pocket with which to feed and clothe his family.

Mr. MIZELL. Mr. Chairman, if the gentleman will yield further, I think the history of the subsidy programs coming from the Government is that once the people receive that subsidy then, of course, they do not look for alternatives to increase their income but, rather, go back to the source of the subsidy.

Mr. BYRNES of Wisconsin. Mr. Chairman, I would suggest that the gentleman look at the level of the assistance provided in this bill. In the case of a family of four, the cutoff or break-even point is $4,140. There is certainly an incentive for an individual with income below this level to increase his families income, to provide more money for essential living expenses, by increasing his earnings. I do not think that this level of income will make anyone feel complacent. They have a desire for a better life that increased income can bring. Additionally, we have the strong work requirements that make the new program a two-edged sword for moving from welfare to work.

The CHAIRMAN. The time of the gentleman from Wisconsin has again expired.

Mr. DELLUMS. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman.

Mr. DELLUMS. The gentleman has argued eloquently in support of section IV of H.R. 1 on the ground that it produces an incentive for the working poor. But is it not true, for example, that 40 percent of the labor force in America who are blue-collar employees earn between $5,000 and $10,000 a year and that these are the people who, in fact, are the working poor to say nothing of the persons earning less than $5,000 a year?

Now to state a specific example, in San Francisco, Calif., given the present inflation and the present cost of living for a family of four that if they are not able to earn a gross income of at least $9,600 a year, their purchasing power is in effect, and that is right now in 1971, at or below the poverty level?

I do not see where this bill, H.R. 1, effectively addresses itself to that question at all. At one level you do provide an incentive for people to get off welfare, but you do not provide an incentive to get them out of poverty and these people are going to continue to live in poverty.

Mr. BYRNES of Wisconsin. We do provide an incentive for people working at wages substantially above the basic benefit level provided in the bill. We do this by permitting an individual to retain—through a one-third earnings disregard in addition to completely disregarding the first $720 per year or $60 per month—a portion of his earnings without commensurate decreases in assistance payments.

That is the case I mentioned. An individual with a wife and two children would continue to receive assistance above the basic $2,400 benefit level until his earnings reached the "break-even point" of $4,140 per year. We provide a substantial monetary incentive for him to continue working.

Mr. DELLUMS. Mr. Chairman, will the gentleman yield further?

Mr. BYRNES of Wisconsin. I yield to the gentleman.

Mr. DELLUMS. The point I am making is that the present formula does not address itself to the tremendous number of people who, in fact, are the working poor and that while the rhetoric of this bill says that we will get the people off welfare, in fact, they will still stay in poverty.

Mr. BYRNES of Wisconsin. I think I understand the gentleman's point. It is that we should have a much higher benefit level. I think the fundamental question we must ask is: What is reasonable in determining what society can be expected to do in assisting working poor families and families now on welfare? I think our chairman pointed out that a budget of $6,500 for a family of four—which some people have recommended—would cost $70 billion a year. Individuals with incomes of over $10,000 per year would be receiving assistance. This is completely unrealistic. I would think people would recognize that fact and the fact that this bill does make progress toward recognizing the problem of working poor individuals and their families. Some people want to go higher then we have.

I can understand that, but, frankly, I think it is impractical. I do not think it would be sound and I do not think it would be wise.

Mr. MICHEL. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman.

Mr. MICHEL. Contrary to the position of many who are not in this Chamber who may have their minds made up, I have come to this Chamber with an open mind. My mind is not made up. But the debate thus far has been very illuminating as between the chairman and the gentleman from Oregon (Mr. ULLMAN) and by yourself.

My concern as a member of the Committee on Appropriations and particularly of the subcommittee that has to fund these activities is a concern about the cost.

A few weeks ago we were in here with a supplemental bill for $47 million to add to the $7 billion that we already have in this current fiscal year, making a total of $9 billion to go with the $7 billion to the States for this program.

We have just heard testimony that for 1972 they say the $9 billion request will be $11.2 billion or something above that. That in itself suggests to me that if we do not do something, the cost continues to rise.

Tomorrow we will have an agricultural appropriation bill here for $2 billion for food stamps, an increase over last year of $1 billion or more. How much more is that going to go?

Question No. 1: There was some suggestion that, by the enactment of this kind of program, we do away with food stamps. If that is true, that is $2 billion we may use in whatever other fashion, and if we do something to ameliorate the problem here, the $2 billion increase this year over last, and the coming year over the next; that is, about $4 billion. Are we in the ball park here so that we can enact this program, do away with food stamps, and admittedly take on some new people who are not now qualified, and still remain in the realm of managing the economy of this country?

I remember the early days of medicare and medicaid. Estimates of costs were made, and it was said that the cost would be doubled. Those statements have been borne out. This is the concern of Members. What will this program ultimately cost?

Mr. BYRNES of Wisconsin. I think the gentleman has raised an extremely good point and a most legitimate one. The gentleman, by the very figures he cites, shows the crisis we are in as far as the present program and its escalation are concerned. And it is not merely a dollar escalation. It is the escalation in the number of people who have become dependent on welfare—on a maintenance check—but in the breakup of families, and the number of children that society has to aid—we see no end to it.

I also should point out that today we have an open end program. The States set the benefit levels, eligibility standards, and administer the program. They call the tune and we pay the fiddler. This bill will impose some uniformity in eligibility and benefit criteria, and in administration. It is not open ended. It provides us with some control over costs and the approach that will be taken.

Mr. MICHEL. I agree.

Mr. BYRNES of Wisconsin. Under the proposed program we can have some reasonable assurance of where we are going and what the cost will be. I do not suggest it will be low. It will cost more in the early stages. But as we get more people working and at contributing to their own support, even though we may still have to provide a supplement, we will see some improvement. This is better than supporting them 100 percent through a maintenance check. I think it will be less costly in the long run. I think this program will be productive for the economy and for benefit of both the welfare recipients and the taxpayers.

Mr. MILLS of Arkansas. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the distinguished chairman.

Mr. MILLS of Arkansas. I think the gentleman from Illinois will be interested in knowing that in our own committee we were told by people representing the Government, those who make cost estimates, that the new program will cost less than a continuation of the existing welfare program—not 10 years from now, but within the 5-year period of this bill.

Mr. MICHEL. I think that is an important point to make, because there are those who say that the program will result in a substantial increase. I think that is probably true because it takes a little checkout period. It may be deserving of increased cost at the moment for what we benefit 5 years from now. I am not sure, but I posed the question to get an answer to it.

Mr. BYRNES of Wisconsin. I do not think it can do anything but help. I am convinced, the chairman is convinced, and the members of our committee are convinced that if we permit the present system to continue, the sky is the limit, and there is no knowing where we are going. The proposed legislation is bound to put some control on the situation. We will be moving people in the direction of self-support and away from dependency on government. It cannot help but save the American taxpayer and benefit all of our people, most of all those who are condemned to a life of hopeless depending by the present program.

Mr. Chairman, let me conclude by saying that we simply must make an effort to frankly deal with the problems that we have identified. We do not have a crystal ball, and I am sure that the committee's bill is not perfect. It is a constructive top-to-bottom change in the philosophy, financing, structure, and administration of the existing program. We will be watching it closely to ensure that it works. Let us give it a chance. It is infinitely perferable to the existing program.

Mr. MILLS of Arkansas. Mr. Chairman, I yield as much time as he may require to the distinguished Speaker of the House.

The CHAIRMAN. The distinguished Speaker is recognized for whatever time he may consume.

Mr. ALBERT. Mr. Chairman, first of all may I say so far as I am concerned this bill, in the form in which it has been reported, has my wholehearted support. I believe, whether or not we agree with every detail of the legislation before us, that this will probably be one of the most important, if not the most important, matters that will be considered by this Congress.

It was for that reason that I assigned H.R. 1 to this legislation when the distinguished gentleman from Arkansas introduced his original bill.

Today the House, it seems to me, has an historic opportunity to do something that badly needs to be done. The Social Security and Family Assistance Act Amendments of 1971 are not a cure-all, but they are a giant step. Everyone agrees that our pulbic assistance system is in need of massive overhauling. It discourages the employable poor from attempting to better themselves through built-in financial disincentives. It breaks up families by its man-in-the-house rules. It encourages migration to our congested areas where welfare payments are higher than in the average across the Nation.

Obviously, therefore, the time to redirect the program and its mechanics has come. We ought to support the Committee on Ways and Means, in my opinion. I hope my colleagues will do so in overwhelming numbers.

This bill is the culmination of many months of hard work by the distinguished Committee on Ways and Means under the leadership of two of the giant legislators of our country, the gentleman from Arkansas (Mr. MILLS) and the gentleman from Wisconsin (Mr. BYRNES).

The bill has the full support of the administration. I have a letter here dated June 21 from the President, which he has authorized me to read to the House. I believe I should share the President's views with Members.

The letter reads as follows:

THE WHITE HOUSE,
Washington, June 21, 1971.

HON. CARL ALBERT,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: On Tuesday, you and your colleagues are scheduled to consider and vote upon H.R. 1, the most important social legislation in thirty-five years. Title IV contains the basic principles of welfare reform I proposed in August, 1969, and also includes provisions effectively meeting the suggestions and criticisms that have emerged during intensive Congressional consideration since then.

If the House of Representatives supports H.R. 1 as reported by the Committee on Ways and Means, the Nation will make dramatic progress toward helping poor families obtain dignity and opportunity through work, training, services, and income support. However, if the House of Representatives rejects Title IV of H.R. 1 or defeats the bill, we will be committed to the perpetuation of a system which is an obsolete and demoralizing failure.

The uncontrollable costs and caseloads of the present system will continue to bankrupt our States. The irrational incentives of that system will continue to destroy the American work ethic and encourage the break-up of families.

There is no political partisanship at issue on these votes. The 22–3 vote of the House Committee on Ways and Means, under the leadership of Chairman Wilbur D. Mills and the ranking Republican, John Byrnes, is clear evidence of that.

I wholeheartedly urge you and your colleagues to act for all Americans and to support H.R. 1 as reported by the Committee. By so doing, you will again demonstrate that representative government can reform our basic social and political institutions to meet the challenges of our constantly changing society.

Sincerely,

RICHARD NIXON.

(Mr. ALBERT asked and was given permission to revise and extend his remarks.)

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 10 minutes to the distinguished gentleman from Michigan, the minority leader (Mr. GERALD R. FORD).

(Mr. GERALD R. FORD asked and was given permission to revise and extend his remarks.)

Mr. GERALD R. FORD. Mr. Chairman, a little over a year ago, the Members of this body were called upon to make a decision—either to continue the system of public welfare then, and now, in effect, or to replace it with another system, one based on entirely different concepts—a system that sought to move recipients from a condition of dependence to a state of independence.

That we chose the latter course—selection of a system designed to deal with the illness of the public welfare system rather than with its symptoms—was a source of gratification to many of us, Members of Congress and the public at large.

It is unfortunate that the bill on which we acted last year did not become law; and now we are obliged to address ourselves to the same question: Do we continue with the public welfare system now in effect or do we replace it with one that seeks to correct its basic structural defects?

The answer we gave last year is even more urgent now, for our position today in regard to welfare is more precarious than ever.

I strongly commend to your attention an innocuous-appearing booklet entitled "Public Assistance Statistics, March 1971," published by the Social and Rehabilitation Service of the Department of Health, Education, and Welfare. If I had the authority, I would make this pamphlet required reading for every Member of Congress and every taxpayer.

Table 7 of this publication gives a State-by-State breakdown of the trend of the program of aid to families with dependent children—AFDC. For my own State of Michigan, it shows that from March 1970 to March 1971 the number of recipients on AFDC increased 48.9 percent, while costs increased 77.8 percent.

If you think Michigan is unique in its dilemma, simply cast an eye down the columns which indicate the percentage change in number of recipients and amount of payments. This will confirm for you something I think we all already know—there are no minus signs; only pluses.

But this is one situation where there is nothing positive about pluses. And there is nothing in the consistency with which they appear—or, for that matter, in the entire history of the public welfare system—which provides any solace for the most hopeful among us.

The reason for this has become glaringly, painfully evident. The system itself is inherently defective and is not subject to tangible repair. It cannot be revived or resuscitated. It must be replaced.

Mr. Speaker, the only practical way we have to replace the present welfare system is to cast our votes today for H.R. 1 with its welfare reform title intact. There are no realistic alternatives that can or will be enacted by this Congress, and the only other course before us is to do nothing about the present welfare mess, which will be very hard for any of us to justify.

President Nixon calls this bill "the most important social legislation in 35 years." I have here a letter which the President wrote me yesterday, which I would like to read in full at this point:

THE WHITE HOUSE,
Washington, D.C., June 21, 1971.

Hon. GERALD R. FORD,
House of Representatives,
Washington, D.C.

DEAR JERRY: On Tuesday, you and your colleagues are scheduled to consider and vote upon H.R. 1, the most important social legislation in thirty-five years. Title IV contains the basic principles of welfare reform I proposed in August, 1969, and also includes provisions effectively meeting the suggestions and criticisms that have emerged during intensive Congressional consideration since then.

If the House of Representatives supports H.R. 1 as reported by the Committee on Ways and Means, the Nation will make dramatic progress toward helping poor families obtain dignity and opportunity through work, training, services, and income support. However, if the House of Representatives rejects Title IV of H.R. 1 or defeats the bill, we will be committed to the perpetuation of a system which is an obsolete and demoralizing failure.

The uncontrollable costs and caseloads of the present system will continue to bankrupt our States. The irrational incentives of that system will continue to destroy the American work ethic and encourage the break-up of families.

There is no political partisanship at issue on these votes. The 22–3 vote of the House Committee on Ways and Means, under the leadership of Chairman Wilbur D. Mills and the ranking Republican, John Byrnes, is clear evidence of that.

I wholeheartedly urge you and your colleagues to act for all Americans and to support H.R. 1 as reported by the Committee. By so doing, you will again demonstrate that representative government can reform our basic social and political institutions to meet the challenges of our constantly changing society.

Sincerely,

RICHARD NIXON.

What should a viable public welfare program provide? What common denominator would make for a system fair to taxpayer and recipient alike?

A public welfare system, worthy of its name, should provide help to those in need to the extent they are prepared to help themselves. For those who are employable, this assumes a willingness to accept whatever employment is available, subject to protections—carefully spelled out in legislation—which, for example, define acceptable conditions of work. For those who are capable of working but labor under the misguided impression that the Biblical injunction that man shall work by the sweat of his brow does not apply to them, specified penalties should be invoked.

H.R. 1 provides for just such a welfare system. In addition, this measure's work requirement is bolstered by a provision for public service training employment—200,000 jobs during the program's first full year of operation—in such fields as health, education, environmental protection, and recreation.

The reverse side of the coin—H.R. 1's work incentives—would permit a family to retain the first $720 of annual earnings plus one-third of the remainder. A family would also be able to exclude from income, within specified limitations, the cost of child care.

Recipients engaged in manpower training would receive an incentive allowance of $30 per month in addition to reimbursement for other necessary expenses such as transportation.

These provisions are equitable and just. And they are easily understood. They require recipients who are able to work, to do so, while offering incentives that would make it profitable for them to do so. The aim of this legislation is to interrupt the cycle of poverty so that dependent children may grow up to be independent adults.

The bill we are now considering calls for a drastic realinement of Federal-State relationships; a realinement designed to end the untenable situation which sees 54 different welfare systems in operation, each with its own eligibility standards, benefit levels, and administrative procedures.

H.R. 1 provides for a basic Federal payment together with a guarantee that States which choose to supplement this payment will not have to exceed their expenditures for calendar year 1971. The 54 systems thus would be replaced by one, with national eligibility standards, a basic Federal payment, and Federal administration—a tangible illustration of the new federalism which holds that each level of government should discharge those functions it does best.

In our consideration of this measure, let there be no mistake on one point: The choice facing us is not H.R. 1 or a substitute reform bill. Nor does the choice really lie between H.R. 1 or nothing. The choice we must make is between H.R. 1 and the present welfare system—a system under which AFDC payments rose 36 percent during calendar year 1970 while the number of recipients rose 32 percent; a system which has imposed intolerable financial burdens on State and local governments; a system about which there is virtually unanimous agreement that it will become progressively worse with no possibility of its getting any better.

It is a system that continues to see State and local governments drift toward disaster at accelerated rates of speed.

You all know that this evaluation of our present welfare system is not rhetoric. There is ample evidence to document the sorry state of affairs in which

the effectiveness of a welfare system appears to diminish in direct proportion to the funds expended.

Now, however, we have the opportunity to do more than merely decry an outmoded system over which we have lost control. We can replace it.

The Committee on Ways and Means, in close and fruitful collaboration with members and staff of the administration, addressed itself to the myriad problems with which our present welfare system is plagued—and I emphasize problems, not merely symptoms.

The result is a substantial piece of legislation that deals with every essential issue which bitter experience has demonstrated is important—work requirements and work incentives, training, child care, public service employment, national standards, uniform procedures, program integrity, fiscal protection for the States. It is a measure that each of us should feel free to support, openly and eagerly.

H.R. 1 recognizes the responsibility of government to care for its needy citizens while helping them move toward independence. But it also adopts the philosophy that, to remain eligible, recipients have the responsibility to participate in this process. This dual responsibility is in keeping with the finest traditions of this Nation.

Some people and certain groups seem to insist upon referring to the family assistance plan as a guaranteed annual income. Since this is a very serious misinterpretation of the goals and mechanics of welfare reform let me take this opportunity to review the differences between FAP and a guaranteed annual income.

The family assistance plan is aimed at two large family groups: those who are presently eligible for welfare assistance; and those working poor, whose wages are too low for their families to escape poverty, yet who receive no assistance now. For neither group is the family assistance plan a guaranteed income. But for both groups it is a guaranteed opportunity for large numbers of adults and children to move upward from poverty, into the mainstream of American working life.

Under the present welfare system each State has established need levels for various family sizes and simply makes a cash payment for some portion of that to each family. Because benefit levels and eligibility standards vary widely from State to State, the present system fails to meet the needs of many of the aged, blind, disabled, and mothers with children. The present system provides payments primarily for the unemployed, and has failed to elevate recipients who are potentially independent.

What incentive does a man have to go to work under the present system? Under present law, many of these unemployed parents on welfare are referred for suitable training and employment. But very often, if a man complies with the law and accepts the offered job, his family will be worse off economically than before. His welfare payments stop as soon as he begins working full time even though his wages may produce less total income than before. And in some States, a family of four receives more by being on welfare than it would even if the parent were earning the minimum wage.

Thus, the present system offers a man in such a situation three unhealthy choices; remain unemployed and evade the law; penalize his family financially by complying; or leave his family—or never marry—so they can qualify for permanent welfare.

On the other hand, the family assistance plan substitutes a coherent system for these tragic inequities. It is assistance for families which sets uniform minimum standards for eligibility and benefits. It is a plan which offers work registration, job training, day care for mothers, and vocational rehabilitation. It is a plan for guaranteed opportunity, but with built-in penalties for refusal to accept training or employment. A family head must register to receive benefits; and if he refuses a suitable job or training, his benefits will be cancelled.

This concept actually is less a guaranteed income than the present system because it conditions assistance on individual efforts to work and take training.

The second largest group which the family assistance plan seeks to help are the working poor families. A guaranteed annual income for a working man usually means a universally available fixed payment, regardless of work or need. But for this group also, the family assistance plan differs from a guaranteed income in three important ways:

First, it is not guaranteed. If a man is employed, he must continue. If trained, he must accept an offered job. And if he becomes unemployed, he must accept training or another job. No benefits are payable to an employed individual who refuses to comply.

Second, it is not universal. Its purpose is to break the poverty cycle by changing the parental example from welfare to work. Only families with children can qualify; and only those with less than $1,500 in assets.

Third, it is not a fixed payment. It is a supplement intended only to relieve poverty, so payment varies with the needs of the particular family, up to clear income limits.

It is true that the total number of people eligible for income supplementation will increase under the family assistance plan. But why should work make a family ineligible for assistance in meeting its needs if wages are inadequate to fill them, if indeed they are less than his neighbor's welfare checks? In Michigan for example, a man's wages must be $1.94 per hour before his income for a family of four to exceed corresponding welfare payments. In Massachusetts his income must be $2.16 per hour, in Illinois $1.85, in Wisconsin $1.50, and in New York $2.23. There are 1.6 million intact families headed by males in this situation.

The children of a working poor family can be just as needy as the children in a welfare poor family. Both are vitally important to our Nation's future. Medical studies have shown that malnutrition and lack of medical attention from conception to 6 years of age can reduce a normally born child to the same mental condition as one born with a retarded brain. Should the children of a working man have to run greater risks than the children of an unemployed or absent father?

In the longer run there will be fewer on welfare than if the present system were to continue, because work training will put people back to work. The old system has incentives to go on welfare and stay there: it carries within it the seeds of its own inexorable growth.

One analyst has shown that if the same proportion of those eligible for FAP as are now eligible for AFDC participate, and if job training programs, for those eligible, are only 10 percent successful in the first year and 50 percent successful by 1976, there would then be 700,000 fewer people receiving assistance under the Family Assistance Plan in 1976 than are projected to receive welfare in 1976 under present law.

To stop the gradual erosion of a hillside, a farmer will often cut a lot of soil off at once to change the shape of a hill, improve its drainage, and thereby stop the erosion. The present welfare system encourages the erosion of the basic unit of our civilization—the family. If we fail to take this big cut at reforming the welfare system now by replacing it with the family assistance plan, we will have missed the most significant opportunity to strengthen the structure and values of our free society in many years.

It used to be said of Americans that "The difficult we do immediately; the impossible takes a little longer." We appear to have added to this an additional phrase: "The possible we discuss interminably."

I believe that reasonable people will agree that we have not lacked for discussion on the issue of the kind of welfare system that will best meet the needs of the 1970's. Welfare reform—meaningful reform—is within our grasp.

H.R. 1, combining, as it does, a philosophy we cherish, with concrete provisions for translating that philosophy into action, deserves our support.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. GERALD R. FORD. I am glad to yield to the gentleman from Iowa.

Mr. GROSS. Did the gentleman also address to the audience the question of whether they were for a guaranteed annual income?

Mr. GERALD R. FORD. Let me put it in this context: The distinguished gentleman from Wisconsin said in our Republican conference on this issue:

> You now have a guaranteed annual income for idleness. If you pass H.R. 1, you have a guaranteed annual income for work.

I think the latter is preferable.

Mr. Chairman, I reemphasize and reiterate my strong support for H.R. 1, and I hope that when it comes down to a vote on the issue of whether you are going to strike title IV or not we will have an outstanding vote to retain title IV in the bill.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 10 minutes to the distinguished gentleman from Ohio (Mr. BETTS), a very valuable member of the Committee on Ways and Means.

(Mr. BETTS asked and was given per-

mission to revise and extend his remarks.)

Mr. BETTS. Mr. Chairman, it would be foolhardy for me to think that I could contribute a great deal to anything that has been offered today. Anyone who has heard the distinguished chairman of our committee, the distinguished ranking minority member, the distinguished Speaker, the distinguished minority leader will not gain very much from what I am going to say. It would be repetitious.

However, Mr. Chairman, there are a few comments I would like to make and to call to the attention of the Members which reflects my own thinking and my own philosophy with reference to this bill in addition to the statements which have been made by the previous speakers.

Mr. Chairman, in the first place, in the complicated society in which we live today it is just about impossible to make a program such as this simple. It is, of necessity, going to have to be complicated, with a lot of facets. Some provisions of the bill are not going to be pleasing to everyone.

Mr. Chairman, if I were to write title IV of this bill, it would not be the same as it is in H.R. 1.

At the same time, in our legislative process sometimes we have to accept those things that we might not wholeheartedly go along with in order to gain those things we want. I think title IV represents the best possible overall program, a program which is the result of the work of the 25 members of the Committee on Ways and Means who have for a long period of time studied this problem.

Now, someone said that if we voted to eliminate title IV that the bill would go back to the Committee on Ways and Means and there would have to be something else offered. I do not think that is true. I say this with the greatest respect for my friend, the gentleman from Oregon (Mr. ULLMAN). I say further that when we voted on his proposal it was voted down and in its place this proposal was accepted.

Mr. Chairman, I am very sure that if we went back to the committee the proposal of the gentleman from Oregon (Mr. ULLMAN) would simply not be accepted.

Mr. Chairman, I want to talk a little about some of the objections I have heard to the bill. Let me say first that I have heard a lot of objections but I want to say emphatically, and I think this is the truth, we have heard many objections, but we have heard very, very few alternative constructive suggestions. As a matter of fact, the proposal which was offered by the gentleman from Oregon (Mr. ULLMAN) is the only constructive proposal that has been suggested in our committee in all of the weeks and months that we have been considering this bill, including last year.

This bill was introduced 5 months ago today, on January 22, 1971. During all of that time, except for the proposal which was offered by the gentleman from Oregon (Mr. ULLMAN), no alternative proposal was ever even offered until last week, on June 15, the day before the Ways and Means Committee went before the Rules Committee. I am sure under those circumstances no one would take seriously any proposal offered under those circumstances.

I suggest and repeat, Mr. Chairman, what the gentleman from Wisconsin (Mr. BYRNES) said, that after all the months of study and hearings during which we have considered this bill, not one single alternative proposal was offered. This bill represents the thinking of the 23 of the 25 members of the Committee on Ways and Means.

Mr. DENNIS. Mr. Chairman, will the gentleman yield?

Mr. BETTS. I yield to the gentleman from Indiana.

Mr. DENNIS. The gentleman has said that if title IV were stricken out this afternoon and the measure went back to the Committee on Ways and Means, the committee would again reject the proposal which was offered by the gentleman from Oregon (Mr. ULLMAN).

Assuming that that is correct, does the gentleman not think that if title IV were stricken and the matter went back to the gentleman's committee, that we might well come out with a rule which permitted the other Members of the House to pass upon the proposal of the gentleman from Oregon?

Mr. BETTS. I do not think so, because this reflects the thinking of the Committee on Ways and Means, which has had many more weeks and months to consider this bill than any Member of the House has. That is the frank statement.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. BETTS. Yes, I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Chairman, a few moments ago the gentleman from Illinois (Mr. MICHEL) tried to obtain some indication of the cost of this measure. I am afraid the gentleman did not get very much information.

Can the gentleman from Ohio now tell us what this program will cost so far as the Federal Government is concerned, under H.R. 1?

Mr. BETTS. I was going to get into that, and I will be glad to do so, and I will answer the question this way:

As I understand it, this bill costs approximately $5 billion in addition to the present program in the first year.

Mr. GROSS. Five billion dollars more?

Mr. BETTS. But that is not the whole story. The whole story is, and I hope everybody reads page 159 of the report—and I am going to discuss it, the Chairman has already discussed it, as has the ranking minority Member, so I would like to discuss it also:

From the beginning of 1960 to the end of 1969, the AFDC rolls grew by 4.4 million people, a 147 percent increase. The total costs of the program more than tripled from about $1 billion in 1960 to about $3.5 billion at the close of the decade.

If the situation in welfare was alarming and in a state of crisis at the beginning of 1970, the AFDC program is now completely out of control. January 1971 expenditures for aid to families with dependent children were $482,423,000—a 40.5 percent increase over the previous January.

The point I am making is that this bill has built in it more than a possibility, definitely, that it will over the years decrease the welfare rolls. At least that is the hope, and that is more than you have under the present program. All you have under the present program is the assurance of a rampant increase in costs during the next 10 years.

What you have in this bill, even though it may be an increase now, is the assurance that over the years the welfare roll costs will decrease. That is the best I can answer the gentleman. How much it will cost the first year is diversionary.

Mr. GROSS. Now, wait a minute——

Mr. BETTS. Let me finish. The fact that it will cost $5 billion the first year, is not the complete answer; for the complete answer we have to look at it over the years.

So my answer to the gentleman from Iowa is that over the years, regardless of what the cost is in the initial years, the costs will be less than the program is now.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. BETTS. I yield to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. Mr. Chairman, I think the gentleman from Iowa is indicating that we may be trying to hide the facts as far as the money is concerned.

Mr. GROSS. I want to tell the gentleman that I did not ask the question about the cost for any diversionary reason. I want to make that clear.

Mr. BYRNES of Wisconsin. I am suggesting, though, that there is no evidence of an attempt to cover up, or to hide what the proposed costs are. If the gentleman will turn to pages 207 and 208 of the committee report he will find a complete breakdown as far as additional costs under this program are concerned. If this bill passes, exclusive of the costs relating to the old age, survivors, and disability insurance system, which is funded separately through trust funds, the net increased costs to all governments—Federal, State, and local—is $3.9 billion.

If the gentleman will refer to the table on page 208 he will see exactly how this is broken down. The net additional costs to the Federal Government will be $5.5 billion. But we have got to recognize that part of that $5.5 billion is the assumption of part of the costs currently being paid by the States.

So the net governmental cost to all government is $3.9 billion—or about $4 billion.

Mr. BETTS. Mr. Chairman, I just want to repeat what I said—that I think a vote against title IV is simply a vote to continue the program which keeps tripling itself, with no assurance of ever coming down on expenses. A vote for title IV, which, while it might increase spending at the present time, holds the hope and the assurance that over the years the costs will decrease and the rolls will decrease.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 additional minutes to the gentleman.

Mr. BETTS. Mr. Chairman, I men-

tioned the fact that my conservative friends have introduced a bill this week which I think indicates the panic that has existed among the opponents of H.R. 1 to try to find an alternative.

I will stack my voting record with any conservative in the House and I find nothing repulsive about this bill.

One of the objections is the alleged guaranteed annual income. But the present welfare program has a guaranteed annual income because every county welfare office guarantees to every welfare beneficiary in his county that if he does not get x amount of money, they will put him on relief. That has to be. You have to have some limit on the amount of relief that people are going to receive. H.R. 1 places a limit of $2,400 on the relief payments to a family of four. To oppose the bill because it contains a guaranteed annual income misses the point. We already have one.

I have been amazed that some Members and some of my conservative friends have objected to the bill because it contains the requirement of "suitable employment." That was taken out. It was taken out last year on a rollcall vote, on a motion made by my friend, the gentleman from Illinois, a member of the Committee on Ways and Means and it remains out. What we substitute for it simply does not come close to any definition of "suitable employment."

So it seems to me every objection that has been made to the bill has been met. In other words, it does not contain a guaranteed annual income. The cost of the bill while it may look frightening at first, in future years you can be assured that it will result in reductions in spending and reductions in the rolls. So however you look at the bill, it represents an honest attempt on the part of the committee to meet every objection.

Practically every letter that I have ever received from my district objecting to the present welfare system is based on the fact that too many people were receiving welfare rather than be required work or be placed on a training and work program. That was stated over and over again on the floor of the House today.

I do not know how we can ever write into any welfare bill a provision which would require employment and manpower training any surer than is in this bill.

I think that if there ever was a time when we have exhausted the points as to what people would want to agree to in a welfare bill, we could agree on these points.

First, the standards of eligibility should be uniform throughout the country so that a citizen eligible for benefits in one State is eligible in all.

Second, a family in which the father is employed at low wages should not be denied assistance and thereby penalized for attempting literally to work himself out of poverty.

Third, the legislation should combine strong work requirements with strong work incentives.

Fourth, it should provide training opportunities to enable beneficiaries to qualify for meaningful employment.

I think anybody would agree that those are aims we would like to have in any welfare bill.

I intend to support title IV of H.R. 1 just as I supported the same basic philosophy of the welfare bill which the House of Representatives passed last year. I urge that when the motion to strike title IV is made by my friend, the gentleman from Oregon (Mr. ULLMAN) that every Member vote against that motion.

(Mr. BETTS asked and was given permission to revise and extend his remarks.)

(Mr. ROSTENKOWSKI asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. ROSTENKOWSKI. Mr. Speaker, H.R. 1 is a lengthy and complicated bill. It contains provisions affecting most of the programs of the Social Security Act, including the social security cash benefits program, the medicare program and the medicaid program.

There is very little question that these provisions of the bill will pass the House. The question we are faced with is whether the provisions contained in title IV of the bill establishing new programs of assistance for needy families will be adopted by the House. My able chairman, the gentleman from Arkansas, has adequately and effectively described the provisions of title IV of the bill and told us of the consequences of our actions should we delete this title from the bill. I can add little to the substance of what he has told us in this regard.

Mr. Speaker, we have lived with the crisis in public welfare for so long that some of us may have become inured to it and even convinced that no matter what action we take, the problems are so overwhelming that they are incapable of being resolved. This is a position of despair. It is the position of those who would strike from the bill those provisions which are designed to tackle these difficult problems. The choice is simple: Our existing chaotic program or the proposed new family programs contained in title IV of the bill.

As the distinguished chairman of the Committee on Ways and Means has stated in 1 year alone, the number of recipients on the AFDC program increased by 32 percent, and the cost of the program increased by over 40 percent. In my own State of Illinois the situation is even worse. From March 1970 to March 1971, the number of recipients in the AFDC program rose by 44.5 percent, while expenditures to support the program rose by 58 percent.

It seems to me the choice is simple: Either we continue down the road we are now on, which can lead to nothing but disaster, and this would be the consequence of deleting title IV from the bill —or we can take a new direction. This new direction is contained in title IV with its provisions for improvements in the administration of the family programs, its improvements relating to work and training requirements, child care and other necessary changes that have to be made in order to make it possible for the heads of families that are now going on welfare to become active participants in the labor force.

Another consideration of the consequence of striking title IV from the bill which should be considered is the effect it would have upon the fiscal relief that the States would experience under the bill. If the hold harmless provision in the bill were left to operate and title IV of the bill were deleted, it would turn the estimated $1.6 billion of State savings from the enactment of the bill into an increase in costs for most States. Again, citing my own State of Illinois as an example, under the hold harmless provision, Illinois would enjoy a savings of $62.1 million in fiscal year 1973 as the bill was reported. By deleting title IV of the bill, however, this savings in State expenditures not only vanishes, but the State of Illinois would experience an increase in costs of $69 million in fiscal year 1973.

Welfare reform is an issue that transcends State lines or regional differences. The problem is national in origin and national in its effect upon the States and its citizens. And it requires a national approach and a national solution. The welfare problem in Illinois is not of our own making, any more than it is in any other State. The difficulties we are experiencing are inherent in the very structure of our outmoded, antiquated welfare system. And they cannot be resolved without a basic, structural reform of that system.

Were we engaged in a business enterprise, there might be some expectation—or, at least, hope—that we are in the midst of a cyclical phenomenon; that, after hitting a peak, caseloads and costs would subside to tolerable levels. I believe we could even accept an admonition that things will get worse before they get better—if, indeed, we could only look forward to their getting better. But the welfare system is not a business; it is not subject to the law of supply and demand or the law of diminishing returns. There is no balance to its balance sheet and only red ink on its income statement. And I venture to say that there is no one in this Chamber who is not resigned to further increased caseloads, increased costs, increased dependency, and increased disillusionment on the part of recipient and taxpayer alike—unless something is done to curb this trend.

We now have for our consideration H.R. 1—a legislative package of amendments to the Social Security Act that includes provisions for welfare reform so desperately needed. I believe everyone here appreciates the conscientious efforts of the Committee on Ways and Means in producing legislation which the committee and the administration could wholeheartedly support. H.R. 1 was designed as a package, debated within the committee as a package, and reported as a package. To split off any of its elements at this point would be equivalent to removing a leg from a chair—it just will not be able to do its job.

It is possible, in this day and age, that many of us have become conditioned to words like "crisis" or "disaster." If that is the case, it is unfortunate, since crisis and disaster are what many States are facing, and I know of no other words to describe it. It is euphemistic to suggest that we are operating a public welfare

system when the system is out of control. The welfare system proceeds under its own momentum and, indeed, is accelerating. But we would be deluding ourselves to think of it as "functioning" in the sense that the term is ordinarily employed.

I believe that the people of Illinois—including, incidentally, the more than one-half million receiving AFDC—share with citizens throughout the Nation a profound concern for the skyrocketing caseloads and runaway costs of the welfare system. No one stands to profit from a situation from which only complete and utter chaos can result.

We have had sufficient time to study and deliberate—welfare reform legislation has now been considered by two Congresses. We have had the advantage of committee hearings and executive sessions. And we are as knowledgeable about the need for welfare reform—and the consequences of failing to enact welfare reform legislation—as we have ever been about any measure submitted for our consideration.

H.R. 1 provides a unique opportunity to remedy a situation long neglected. It is a situation that can no longer be ignored and will not disappear of its own accord.

Only the Congress has the authority and the power and the responsibility to take meaningful action to alleviate the crisis in which we find ourselves. We cannot delegate this responsibility; we dare not abdicate it. But we can—and should—act.

Mr. BYRNES of Wisconsin. Mr. Chairman, I ask unanimous consent that following the remarks of the gentleman from Ohio that the gentleman from New York (Mr. PIRNIE), the gentleman from Utah (Mr. LLOYD), the gentleman from Washington (Mr. PELLY), the gentleman from Pennsylvania (Mr. SCHNEEBELI), and the gentleman from Maryland (Mr. HOGAN) may insert their remarks in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. PIRNIE. Mr. Chairman, in the rhetoric that frequently embellishes the advocacy of major legislation, the phrase "an idea whose time has come" is often heard. To use that phrase in advancing this important measure is to be guilty of a gross understatement.

Welfare reform is not an idea whose time has come, it is a pressing national need that is long overdue.

Today we have a choice to make. We can continue working with a welfare system that stands as a classic example of how not to do things or we can begin anew with a system molded to our times and geared for the days that lie ahead.

The choice should be clear. We must move forward. All the testimony required to document the need for such action is provided by the admission of governments at all levels that the present welfare system is a failure.

While we recognize that the greatest tragedy of welfare today is the failure of the system to truly meet the needs of those it is designed to assist, we must acknowledge that this human failure is accompanied by financial disaster. Many State and local governments have their backs to the wall and face fiscal ruin if seome relief is not forthcoming. Consider this revealing and alarming report from the Department of Health, Education, and Welfare:

In the past decade the cost of the Aid for Dependent Children (AFDC) program has more than quadrupled. In one year, December 1960 to December 1970, payments rose 45 percent. Nearly half a billion dollars was being spent on AFDC in December 1970. At this rate, the present program will cost about $9 billion by 1975. *Some means of controlling these runaway costs is desperately needed.*

There is an abundance of equally disturbing information about the runaway costs of the current welfare programs, but I do not think it necessary to recite more dramatic examples from what unfortunately is an all-to-familiar script for most Americans. The message is clear: Something must be done, and soon. We in the Congress have a responsibility and we must be responsive.

The President deserves praise for accepting the challenge and providing needed leadership for welfare reform. He listed this as one of the six great goals of his administration and he is determined to achieve it, not only for the good of the millions of people involved, but for the good of the country and the dignity of man. The President deserves our praise, his program warrants our support.

There are a host of reasons why this welfare reform proposal has special appeal. In addition to providing relief for our individual States by assuming the full cost of the adult categories—aid for the aged, blind, and disabled—of welfare, this measure establishes uniform eligibility standards and permits a shifting of the heavy costs of administering welfare from the States to the Federal Government.

These adjustments could mean a savings of more than $188 million to New York State during the first full year of operation of the new program. Anyone familiar with the budgetary problems of the Empire State will quickly recognize that this relief will be welcomed.

While the consolidation of programs, the establishment of uniform standards and the fiscal relief for States are plus factors for this bill, the single most attractive provision is that which places emphasis on making it both possible and practical for those who can work to get off of welfare rolls and onto payrolls.

Under the opportunities for families program—which has a meaningful acronym OFF—employable adults must register for and accept work training and jobs or face a loss of a substantial portion of the family's benefit payments. Not only will there be a determined effort to train employable welfare recipients for jobs—something sorely lacking in our present system—but there will be equal determination evidenced in placing these people on jobs.

For years and years a great many Americans have asked the very basic question: Why cannot those employable adults on welfare rolls be matched with existing job vacancies? For years and years no sensible answer was forthcoming. Excuses, yes, but answers, no. This new legislation will bring much needed change.

Additionally, and this also is an adjustment long overdue, a penalty in the form of lost benefits for eligible adults who refuse training or work will be matched by an incentive to accept a job. Under our present system, it is often economically advantageous for a welfare recipient to avoid taking a job because he or she would actually suffer a dollars-and-cents loss because the paycheck would replace the welfare check.

People can talk all day about the moral obligation to earn one's way, but the fact of the matter is that a number of individuals could not see the logic in working for a living when it was possible to remain idle and have nearly the same, incredibly in some cases even more, income.

Now, in addition to facing the loss of benefits for not accepting employment an employable welfare recipient has the work incentive of being able to retain a portion of his benefits as a supplement to that which might be earned. The first $720 of earned income each year would not be used to reduce the family's benefit nor would one-third of any earned income above $720.

In closing, I would like to restate what I feel to be a most convincing passage from the report of the House Committee on Ways and Means:

The welfare system in the United States has been moving toward a state of crisis and chaos—to change its direction will be difficult. The purpose of this bill is to effect that change. The committee's bill will establish a new welfare system, based on a sympathetic understanding of the needs of the helpless and the conviction that all those who are capable of participating in the economy of this country should have the opportunity and the responsibility of doing so. It is a system designed to be fair and rational, the kind of system which recipients deserve and taxpayers can respect.

Mr. LLOYD. Mr. Chairman, I am a supporter of welfare reform and work requirements to replace the present American welfare program, which in my opinion is headed out of control to a dead end. I support H.R. 1, and the family assistance plan contained therein.

This welfare reform legislation is opposed, on the one hand, by the Americans for Democratic Action as inadequate to the need. On the other hand, it is opposed by the American Conservation Union and the "Conservative Victory Fund" as excessive and dangerous, and I am warned: "Our organization will make future political decisions accordingly." Many of their members state the bill is a "guaranteed annual income."

I believe the ADA is wrong—because we are not a socialist society, and it is about time we gave more consideration to the helf-reliant citizens who must carry the burden of excessive welfare costs. I believe the A.C.U. is wrong because we already have a guaranteed annual payment to eligible persons in all 50 States, and the present system penalizes the job seeker and rewards the breaking up of families. Moreover, the

"guarantee" is lost under this reform bill if the able-bodied person refuses to work or accept training for work.

FACTS ABOUT WELFARE AND WELFARE LEGISLATION

The staggeringly large, outdated welfare structure has become a giant hodgepodge of unrelated and sometimes conflicting programs. American welfare today is operating on principles designed 40 years ago as a temporary measure for a special problem. That system is now obsolete.

Cost of the present system is spiraling out of control. Last year, the United States, including the Federal and State payments, spent approximately $14.2 billion on welfare—more than twice the amount spent 5 years ago.

A total of 6.3 percent of all American citizens—13.5 million—are currently receiving benefits. In Los Angeles, the caseload is rising at a rate of 10,000 to 15,000 per month—60 out of each 1,000 American children receive welfare assistance. In 10 years the AFDC volume of cases has more than doubled; its cost has more than tripled. Under the present program, it will rise from today's annual cost of about $5 billion to about $9 billion in 1975. All Americans pay these tax bills.

There is no uniformity in the present welfare system. There are 54 separate sets of rules across the country, differing drastically.

The present system penalizes work. As soon as a welfare recipient accepts even the most menial work, he or she is dropped from the welfare rolls in most States and thus encouraged to be idle.

The present system encourages desertion by the father in most States. A fatherless home without income is automatically eligible for aid to dependent children. Utah is one of the few States where an employed father working less than 30 hours per week may remain in the home without penalty to his children.

The welfare reform legislation will add to the initial cost, but by placing welfare under modern control, and with work requirements, the eventual cost will, in my opinion, be less.

THE PROPOSED NEW WELFARE REFORM PROGRAM

The Federal Government will take over full responsibility from the States for the aged, blind, and disabled.

If they choose, the individual States may supplement the above.

When a family registers for assistance, it will be determined whether the working-age members can work. There are only five exemptions, which are: First, ill, incapacitated or advanced age; second, a mother with a child under 6—under 3 after 1974; third, wife of a husband registered for work; fourth, children under the age of 16, or under 22 if students; and fifth, a person needed in the home for an ill member of the household.

If there are no employable members, the family comes under the category of "family assistance program." All other families come under "opportunities for families program" for job placement, or job training.

Of the 4 million families which will be eligible under the above, 2.6 million will be eligible for work and 1.4 million will be under the "family assistance program." A federally guaranteed payment to eligible families will be made in the amount of $800 to the first two family members; $400 each for the next three; $300 each for the next two, and $200 for one additional member.

Those willing to work will not be penalized. Let us take a typical example of a family of four under the proposed program. Notice that up to an annual income of $4,320, some welfare payments will be granted, although they diminish as earnings rise.

First. A family of four with no income will receive $2,400 annually.

Second. With $1,000 income, the welfare payment will be $2,212, making a total family income of $3,212.

Third. With $2,000 earned income, the family welfare payment will be $1,547, for a total family income of $3,547.

Fourth. With $3,500 earned income, the welfare payment will be reduced to $547, for a total of $4,047.

Fifth. When the family earned income reaches $4,320, the welfare payments cease.

This is an enlightened and encouraging incentive for a family to raise its standard of living, at the same time being assured that the bare necessities of life will be provided in the case of total misfortune beyond human control.

COSTS

Total initial cost of the new program will be considerably higher than the present cost. First annual costs to the States will be cut from $5.1 to $3.6 billion. The savings to Utah are estimated to be from $1.4 to $3.4 million annually. The expense to the Federal Government will increase from $9.4 to $14.9 billion. Under the new controls, however, I am convinced that within a few years there will be net savings under the new program, under what the present program would eventually cost. Also important: The old dead-end program will be replaced by a program written to meet today's realities. The number of eligibles will increase because the "working poor" will become eligible.

CONCLUSIONS

Presently, 50 percent of all those on welfare in Utah are children.

Today's welfare program nationwide encourages parents to separate and to live in idleness.

Crime among children too often becomes a way of life when there is insufficient money in the home to buy necessities. Stealing, drug addiction, and crimes of violence spread in today's industrial society, and a growing number of our penal institutions are at an explosive stage with conditions of human life beyond the reaches of rehabilitation or human dignity for the inmate, and beyond the reach of compassion from law-abiding citizens.

Some welfare recipients are sitting in taverns spending their welfare checks on beer. But 99 percent are not. We must protect ourselves from the indolent by work requirements. We must recognize our responsibility to the rest by offering opportunity, which is of greatest urgency for the children who are growing up in our midst and for whom a law-abiding, useful, and productive life is necessary if we are to avoid the self-destruction of our society.

Mr. PELLY. Mr. Chairman, the comprehensive welfare reform legislation we have before the House provides for a systematic administration of our welfare programs that will move people from the welfare rolls to the employment rolls. It does this by requiring that able-bodied individuals avail themselves of the greatly increased work and training opportunities provided to become self-sufficient and by providing incentives for individuals to be gainfully employed rather than on welfare. This is an approach I support.

This new welfare plan is not a guaranteed annual income, as some have suggested. There are critical differences in concept and in program operation between family assistance and such plans. Under guaranteed income proposals, which I do not support, the Government would allow people to abdicate their responsibilities for self-support by assuring a basic income regardless of whether they are willing to work or not.

Under family assistance, on the contrary, income is not provided, regardless of personal efforts or attitudes. Those who are able to work or to be trained are required to register for and accept training or employment, or lose benefits. Moreover, a guaranteed income by inference would imply the payment by the Government of a set amount of income to everybody. Under H.R. 1, family assistance, however, is neither of these; the amount of the benefit varies in order to encourage work, and the plan is not universal, but restricted to families with children.

Of course, family assistance does establish a nationwide minimum floor, under welfare benefits, but there are now separate income floors in the 50 States and establishing a common minimum does not make the President's proposal a guaranteed income. Separate income floors have caused the welfare applicants to migrate to higher minimum States.

What this legislation accomplishes is welfare reform; not a guaranteed income. The work requirements of this bill place responsibilities on the recipients before they are eligible for any payment. There is no guarantee of income.

I endorse this concept and consider H.R. 1 to be essential reform legislation which has been badly needed.

Mr. SCHNEEBELI. Mr. Chairman, reforming public assistance programs requires complex legislation. H.R. 1 seeks to alleviate the underlying causes of dependency by providing an income floor for all families, by establishing a national system in place of 54 different systems, and by focusing the services necessary to enable recipients to become self supporting. These services include child care, job training and job placement.

It would appear that the proposed family assistance plan, which has been incorporated into R.H. 1, the Social Security Amendments of 1971, must have considerable merit, since it is being severely criticized by both sides of the social and political spectrum; it either

goes too far or not far enough, say the critics.

First of all—do we need a change in welfare? The present system is bankrupt, both socially and fiscally. On this point there is general agreement. Our Ways and Means Committee deliberated for many months on possible solutions, and heard much expert testimony. On balance, I believe H.R. 1 is good legislation; it attempts to change welfare to workfare.

As an example of the deteriorating welfare situation, we only have to look at the facts. The present program for assistance to families with dependent children in 1967 covered 4.6 million people and cost $1.5 billion. With its present trend projected to 1977, the program would include 20.3 million people at a cost of $8 billion. This is certainly a most discouraging course and is one that demands attention for immediate change. The trend is particularly significant in urban areas, where the AFDC program is becoming a nightmare of broken families, illegitimate children and general social decay.

Some of the major characteristics of AFDC families, in an analysis of 1969 statistics, point up the following:

First, mother in home in 91 percent of families; father in home in 20 percent; father and mother both present in 18 percent.

Second, 50 percent were white; 46 percent black; 1 percent Indian, and 3 percent unknown.

Third, almost one-third of children are illegitimate; 44 percent of all AFDC families include one or more children born out of wedlock.

Fourth, almost one-third of families involve two or more fathers.

Fifth, average family is one adult and three children.

Sixth, seven out of 10 live in metropolitan areas.

Seventh, the whereabouts of over one-third of AFDC fathers—almost one-half of those absent from the home—is unknown.

Another reason why the Federal Government had to step in, in assuming more responsibility for the future development of families assistance lies in the fact that there is a great disparity of payments between the several States, which great difference has resulted in an influx of people into the Northern industrial States and cities from the Southern States and Puerto Rico. One of the reasons for this is quite self-evident when we see that the average AFDC payment per person in October 1970 was $9.75 per individual in Puerto Rico; $12.10 in Mississippi; $77.60 in New York and $72.65 in Massachusetts. It does not take a genius to figure out why there has been this large-scale migration from the smaller paying States to the States with the higher payments. In the legislation of H.R. 1, efforts were made to try to narrow the gap in this broad differential in order to discourage this migration and to even encourage some of the people to return home. The courts compounded the problem of migration when they set aside the 1-year residency rule and also, they negated the State legislation which provided that a person was ineligible for welfare if it could be proved that he moved into the State solely for the purpose of becoming eligible for welfare.

The final figure adopted of $2,400 per year for a family of four including the food stamps seems to be a reasonable compromise between the great differential between the many levels of State welfare payments and it also provides a needed standard for survival, and it is not high enough in most instances to encourage further work avoidance.

Basically, the family assistance plan which is the more debatable part of H.R. 1, provides a dual approach to people requiring assistance. These people would be divided into two categories: First, those who cannot work and who are limited such as the blind, disabled, the aged, which group would be the responsibility of the Department of HEW and second, the group who are employable and whose jurisdiction would be assumed by the Department of Labor. It is with the second category that problems will mainly arise in deciding the eligibility and guidelines for the people who are employable or who can be trained to handle available work. Our committee spent great time and thought in trying to achieve a reasonable position, but one of the basic thoughts in this final decision was the determination that the laws should "make it difficult to get on the welfare rolls and make it easy to get off."

The bill is so very comprehensive and new in its approach to the family assistance plan concept that it should certainly be subject to considerable review in a year or two, to effect some operating improvements as a result of experience in order to make this assistance more fair and equitable.

The proposals embodied in H.R. 1 would make a number of changes and improvements in the provisions of the Social Security Act relating to the old-age, survivors, and disability insurance program, the hospital and medical insurance program, the medical assistance program and the child welfare program. In addition, and more importantly, the bill would provide for a basic restructuring of the national welfare system by replacing the four existing federally aided public assistance programs by new Federal programs for needy families and for needy aged, blind or disabled persons. The bill also would modify the provisions of the Internal Revenue Code relating to the retirement income credit and deductions for child care.

We have been assured by competent authority that within 4 or 5 years this new family assistance program will cost State and Federal Government less money than our present system and will lead to the elimination of many present inequities. It is recognized that the proposed changes in welfare are very broad and of tremendous future impact in an area affecting well over 20 million people. Consequently, it is stressed that a constant review be effected to check the program and to determine what immediate changes are recommended in this new and novel aproach.

On general balance H.R. 1 should be approved by the Members of the House.

Mr. WATTS. Mr. Chairman, I yield 10 minutes to the gentleman from Texas (Mr. BURLESON).

(Mr. BURLESON of Texas asked and was given permission to revise and extend his remarks.)

Mr. BURLESON of Texas. Mr. Chairman, I do not want to repeat the things that have alreday been said in this debate by those in opposition to title IV, the guaranteed annual income. We start with the premise upon which most people agree, and that is that our present welfare system is a mess. That is a description accorded it in a number of statements, and was used by the President of the United States when he first proposed the guaranteed income.

I use that term "guaranteed income" because I think that is exactly what it is. The proponents of this idea prefer other terms but that is the only thing I can make out of it

We have just heard a colloquy between Members making inquiry as to the cost of the legislation before us. I do not think anyone can tell you the cost of this program. There is not a dollar figure in the authorizing portion of the bill. There is an estimate of $800 million for child care centers, and other estimates found on page 219 of the report but even the experts disagree. And whatever the estimated cost it is only a downpayment.

Mr. COLMER. Mr. Chairman, I make the point of order that a quorum is not present. The gentleman is making an important statement, and the Members who are going to vote on this matter are entitled to be present.

The CHAIRMAN. The Chair will count.

Sixty Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 154]

Alexander	Diggs	Moss
Ashbrook	Donohue	Murphy, N.Y.
Ashley	Dowdy	Nichols
Baker	Eckhardt	Price, Tex.
Blanton	Edwards, La.	Purcell
Blatnik	Findley	Railsback
Bolling	Fisher	Rarick
Bray	Fraser	Roy
Brown, Mich.	Hébert	Runnels
Celler	Hogan	Scheuer
Chappell	Holifield	Schmitz
Clancy	Long, La.	Stratton
Clark	McCulloch	Stuckey
Clay	McDonald, Mich.	Taylor
Collins, Tex.	Meeds	Vigorito
Conyers	Moorhead	Widnall
Dellums	Morse	Young, Tex.
Dent		

Accordingly the Committee rose; and the Speaker having resumed the chair (Mr. DINGEL), Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 1, and finding itself without a quorum, he had directed the roll to be called, when 381 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The Chair recognizes the gentleman from Texas (Mr. BURLESON) and the Chair announces the

gentleman from Texas has 8 minutes remaining.

Mr. BURLESON of Texas. Mr. Chairman, the proponents of this legislation, my able and distinguished chairman, the gentleman from Wisconsin (Mr. BYRNES), the ranking minority member of the Committee, the majority leader and the minority leader, have presented this matter in such a way as to say that if we strike title IV of this legislation we will have no welfare reform.

I just do not believe the gentleman from Arkansas and the gentleman from Wisconsin and the leadership on both sides of this House, who talk about the great failures in the present welfare program, will do other than take legislation back to our Ways and Means Committee to do something about it. They are men too responsible to do otherwise. Give us an opportunity to do that. I believe the committee can product legislation, either in the form proposed before the Ways and Means Committee by the gentleman from Oregon or in some other way.

I have some ideas myself, which I will not try to sell anyone at this time but which will be submitted to the Committee if you reject title IV of the measure before us.

If this thing is so bad—and it is—we are not going to let it go on. The country is not going to let it go on. The cost of welfare is mounting and mounting and mounting, and people are not getting better care, there is unconscionable waste and extravagance, and people taking advantage of all the loopholes. Something is going to have to be done. I repeat, I believe it will be done.

The supporters of this bill, particularly title IV, presents some very beautiful theories. I have been listening to some of the theories on welfare and on welfare reform since 1962. I remember very well, as many of you do, the man-in-the-house controversy several years ago. Now we hear this concept condemned by those who adopted the system. I implore you not to jump from the frying pan into the fire. I believe the gentleman from Wisconsin estimated that 90 percent of the people on welfare rolls are women and children. Are these the people who will be trained to work and given a job under the theory applied to this legislation? It is wishful thinking. These and twice as many more will go on the guaranteed annual income—just where they are now. Is this reform? Will children still not be multiplied, each affording more payments? For some reason or other these people, or a lot of them, are having a lot of children. There must be a man-in-the-house somewhere.

The welfare rolls continue to mount and will continue to do so as long as the system makes it easier to do nothing than work.

There are better alternatives than what is presented in H.R. 1 even if it is just putting some wire around loose joints in the present program. But bringing in something that would be a substitute for what we have now—that would truly take care of people who need to be cared for—is urgent and necessary.

Mr. Chairman, if title IV is stricken you can still vote for 235 pages of social security amendments. You know, you do not get exactly everything just the way you want it, but there are many things in the social security portion of this measure which about all of us can vote for enthusiastically in this bill. The Federal Government takes over old-age pensions and assistance to the blind and the disabled, which in my judgment is proper. There are other improvements which can and should be supported. The elimination of title IV will not affect these changes.

It has been said here today that the guaranteed income philosophy is a change in direction, and it certainly is that. This is one of the most radical changes ever proposed in this Congress.

Yes, other civilizations have tried this approach. The people who paid the taxes finally became common mendicants upon the street. We would call it today selling pencils and apples. Somebody has to produce things in this country. That is a simple economic fact. Somebody has to produce in order to pay these bills. I think there are a lot of people in the country who are getting terribly tired of some of the bills they are having to pay. We can take care of the poor, the aged, and the disabled, yes. I think that the Government very definitely has a mission in that respect. But what is proposed here today and what we are embarking upon if title IV is approved is a mission for which this Government was never designed. If the present program is difficult to administer, just look at this. It is much more complicated, and, more important, is contrary to the system which has made our country great.

Now, Mr. Chairman, it is again appropriate to ask where are the jobs for 80 or 90 percent of the women to be trained to take a job? What job? Just pick up on the weekend, any big city newspaper in this country and read the "help wanted" ads. There were 26 pages in the Los Angeles Times just a few weeks ago. These were not all menial jobs. Many of them were skilled jobs. I have seen them in the Chicago Tribune and in the New York Times. Jobs, yes, but apparently no takers. Something is wrong in our country when work is no longer a virtue.

Someone asked a question of a previous speaker—I think it was the gentleman from Indiana (Mr. MYERS), who asked, could people stay on this welfare for 5 years, because that is supposedly the life of this program. My answer to you is, yes, definitely so. There is no reason why they should be taken off and no provision for them to be forcibly taken off. Here again, who will take welfare away from a widow and from her needy children? This program is going to go on and on and on. We are talking about a trial program for a period of 5 years. Well, you know and I know that every election year we are going to come back in here and raise the ante. That is the history of these programs. They only get bigger and more costly.

Some candidiates seeking public office, particularly to this body, is going to be promising in the next election bigger and better programs.

I hope that you will join in supporting the motion which will be offered by the gentleman from Oregon (Mr. ULLMAN) to strike title IV of this bill.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may consume to the gentleman from Arizona (Mr. RHODES).

(Mr. RHODES asked and was given permission to revise and extend his remarks.)

[Mr. RHODES addressed the Committee. His remarks will appear hereinafter in the Extensions of Remarks.]

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 10 minutes to the gentleman from Illinois (Mr. COLLIER), a valued member of the Committee on Ways and Means.

(Mr. COLLIER asked and was given permission to revise and extend his remarks.)

Mr. COLLIER. Thank you very much.

Mr. Chairman, I would, indeed, be presumptuous if I felt that at this juncture in the debate on this bill I could add too much to the discussion of a very complex and certainly a far-reaching piece of legislation.

But I would make one point which I think is pertinent insofar as the opponents are concerned, particularly those who are just against this concept of welfare reform.

Let me interject by saying that there are few Members of this House to whom I would have to take a back seat in terms of my record of fiscal conservatism.

In my frequent discussions of this bill with my colleagues and others outside of our committee room I have heard those who have reservations about the program raise the issue of the cost on the one hand, and contend, on the other, that the program would be worse than the present system.

You know, I just do not think that they really believe this. But if it be so, let me pose this question: If we had a national welfare system in effect today which provided a $2,400 Federal base and if we had before us a bill that would provide that the Federal Government pick up one-half of the tab of whatever any State chooses to pay, without limitation, would you vote for such a bill?

Well, that is exactly what you will be doing, in effect, if you vote to strike title IV of this bill.

If, further, you had a provision in the unlimited one-half Federal reimbursement today with food stamps under the program in addition thereto, would you vote for it in preference to providing the floor or the ceiling, as you please, of $2,400? Well, if you would, then I suggest that that is, in effect, what you would be doing if you vote to strike title IV today. If you had a bill pending before you today with no provision for training or subsequent employment or day care, would you vote to drop a program with job registration as a prerequisite for welfare payment? Well, again, I say that is exactly what you will be doing, in effect, if you vote to strike title IV today.

Mr. Chairman, anyone who has reviewed the expenditure figures on welfare throughout the 50 States in the last 10

years cannot help but recognize that continuing in the direction that we are going, it may be too late at sometime in the future to provide the remedy that is embraced in this legislation.

The fact that there will be an initial cost in the overall of about $3.9 billion it seems to me is essential to taking the alternative, an alternative which could be likened to letting a sick patient go for want of surgery until the malignancy got so bad that the patient becomes incurable.

Thus, in the final analysis what I am saying is this: Every basic criticism, every justifiable complaint lodged against the present self-perpetuating welfare system, which is a bottomless pit, is just what the provisions of the bill before us seeks to correct.

I am convinced that there is a remedy to the evils of the present system, and that remedy lies in the provisions of this bill.

Now, how effective it will be in doing the job will depend upon the manner in which the program is administered—and therein comes another of the most vocal objections to the bill which our committee has reported. Indeed, as I said before, the transitory period will be difficult, and it will be costly. To suggest that it would not, would insult your intelligence, and that I would never do. But is it not true that any program we adopt in this Congress, no matter how laudable or how meritorious can hardly offer success without proper administration?

If fear that those who would administer the program will violate its provisions or circumvent the clear intent of the Congress becomes reason to oppose it, then we should oppose virtually every Federal program that requires complex administrative procedures. Or one can select this particular program to attack on the basis of no confidence in the administrative follow-through merely because "public welfare" is not popular—in fact, it is a sort of ugly subject with the rank and file people today.

It stands to reason that if those who are charged with the responsibility of administering the program resort to violating the provisions, it will be a failure. But that is applicable to almost any Federal program. However, at that point we have the jurisdiction and the duty to see that the people who run the program fulfill their responsibility in carrying out the intent of the Congress—and no one can certainly quarrel with the intent to make the program work.

It is the abuses in the program—at present and in the past—that have created such antagonism to public welfare. It seems to me that we have an opportunity to move in the right direction at this time.

We have provided the guidelines and the tools by which we can eliminate many of the problems by taking able-bodied recipients off the welfare rolls, training them, providing jobs including public service work so they can become taxpayers rather than taxeaters.

We have an opportunity today to reduce the disparity between welfare payments among the several States and alleviate the migration of welfare recipients from low-paying States to those States which have a higher welfare benefit—and we provide some tax relief at the State level in the process.

I think we can agree that what we now have is bad. It is very bad, and it can only get worse, as has been the case in the past decade.

If everything we have tried to do in this bill does not work, Congress can always, as it has in certain other programs, revise or amend the law to make it work. At least, it offers some hope along these lines which the present welfare system certainly does not.

Mr. CORMAN. Mr. Chairman, I yield 10 minutes to the gentleman from Georgia (Mr. LANDRUM).

(Mr. LANDRUM asked and was given permission to revise and extend his remarks.)

Mr. LANDRUM. Mr. Chairman, in the last session of the Congress I voted against the welfare reform provisions both in committee and in the House.

While I recognized then as I do now that there was then and there is now an urgent need for reform of our welfare laws, I did not feel last year that the legislation we proposed provided adequately for work and work training or gave the States and local governments any real fiscal relief.

The present legislation especially title IV, in my judgment, of the social security amendments of 1971 make constructive changes in these areas and I believe because of this, this title IV should be retained as a most vital part of H.R. 1.

The difference in last year's and this year's work provisions are extremely significant. Last year, for instance, the responsibility, for training and placing persons in jobs was under the administration of the State Employment Security Agencies. These agencies are often more dedicated to getting unemployment beneficiaries off the unemployment compensation rolls than in finding positions for long term jobless welfare recipients.

This legislation here proposes to federalize job placement of the needy with HEW making the determination for work eligibility and the U.S. Department of Labor responsible for work training and job placement.

The emphasis will be on getting persons now on the welfare rolls onto payrolls, a priority I have always felt should come first.

All persons requesting assistance except for the aged, disabled, the blind, children under 16 or in school, and mothers with children under 6, and special cases like the mentally retarded will be required to register for training or to register for work. They will register at the local offices of the U.S. Labor Department. If a head of a family requesting assistance refuses to take training or refuses to take a job, his share of the family payment will be dropped. The purpose of this provision, of course, is to encourage fathers to stay with their families.

The new legislation will make it easier for mothers to work outside the home by providing increased benefits and increased funds for child care centers and child care allowances for parents.

It is the belief of most of us on the Committee on Ways and Means that this training and placement assistance program will do a far better job than the present hodgepodge system of getting all to work who are mentally and physically capable of working.

It is our hope that these structural changes in the welfare system, such as we are proposing, will create conditions that will eventually eliminate the undignified and hopeless Vietnam-like morass in which our city officials and the needy are both trapped—a morass of crime and drug addiction, of public health and civil unrest that endangers lives and leads to skyrocketing city and municipal budgets.

This new legislation also provides direct, immediate, and substantial financial relief to the States and local governments so that they can spend more for better schools and better housing and better health centers and other facilities for maintaining the quality of American life and doing something to remove the ghettos and to try to bring them to a higher economic level. It will do this by eliminating the matching provisions for States.

States will no longer have to match Federal funds. That has been one of the evils of the present system. State legislatures have relied on the Federal Government, saying, "Let us go ahead and vote it and we will get half of it from Washington." This one provision will save my State of Georgia next year $56 million. It will save California $235 million, New York $188 million, and Mississippi $23 million—revenue sharing that States can really appreciate.

Mr. ROONEY of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. LANDRUM. I yield to the gentleman from Pennsylvania.

Mr. ROONEY of Pennsylvania. I share the gentleman's great concern about the passage of this legislation. But we hear talk about the fact that mothers will be out of their homes and will be working. How is that situation going to benefit the children? How will it benefit the children of dependent mothers when they do not have the love and affection present in the home? That is my concern with title IV.

Mr. LANDRUM. I can fully appreciate the gentleman's concern. Any thoughtful person, particularly a thoughtful man, would be concerned about a child having a mother's affection. But I would say to the gentleman that if he had studied the present welfare system as I have for the last 3 or 4 years, and especially during the last 6 months, he would, in my judgment, come inevitably to the conclusion to which I have come, that there is little or no opportunity for affection under the present structure. How can we stand for the present program where the mother is living in an undignified welfare-recipient state, producing, as they are producing, fourth-generation children on welfare who have no understanding whatever of the meaning of a mother's affection? How can we argue that such a state should take precedence over a work

requirement that gives the mother a chance to work and teach her child to work. This bill will not deny the mother the means to show real affection for her child by helping her with a chance to rear that child in a healthy, wholesome environment—help with the child's education—that is real affection.

We also provide that the child care centers will have professional training. There is no room, in my judgment, if the gentleman will allow me, there just is not room for that apprehension to be a controlling factor.

Mr. ROONEY of Pennsylvania. I respect the gentleman's judgment.

Mr. Chairman, after long and serious consideration, I rise today to ask that my colleagues support H.R. 1 and vote against the motion to strike title IV.

Any reform of public assistance requires complex legislation. Certainly the defects in title IV are obvious. I am particularly concerned with the loss of food stamp eligibility, the forced work provision for mothers with children over 3 years old, and the lack of requirement that States make supplementary payments to welfare recipients whose benefits will be lower under the new bill than under current levels.

On the other hand, without reform there is no end in sight to the rising costs and caseloads, and no fiscal relief for our over-burdened State and local governments. Welfare reform is a national issue and requires a national solution. H.R. 1, by establishing a national system in place of 54 widely divergent systems, by providing an income floor for all families, and by supplying the services necessary to enable recipients to become self-supporting, including child care, job training and job placement, seeks to alleviate the underlying causes of dependency on national support.

The need for immediate and far-reaching reform cannot be denied. The fact that the number of welfare recipients in the AFDC category has risen by 50 percent since August of 1969 is in itself a compelling argument for the institution of sweeping reform. The question before us today, whether or not to delete title IV, is essentially a question of whether to continue the chaotic, unfair and self-defeating program currently in existence, or to approve a program with serious defects, in hope that it will be widely and realistically modified by the Senate. Should title IV be eliminated, all possibility of reform will be delayed for some time to come. Passage of the bill in its present form, despite its serious defects, will at least provide an opportunity for the Senate to correct and revitalize the legislation and make it truly responsive to the needs of our poorer citizens. I strongly feel that this is the only way we can achieve any solution at all to this most urgent national problem.

Mr. LANDRUM. I have no disagreement with the stated conclusion of my friend from Pennsylvania, none whatever. Where I do disagree is that the present system is not allowing the mother the chance to do that. It does not make it possible for the mother to have the opportunity to bestow the affection that the gentleman so well recognizes ought to be present.

Mr. ROONEY of Pennsylvania. I thank the gentleman.

Mr. LANDRUM. The guaranteed income with an established base that we talk about is nothing new. If we will face up to it, gentlemen, we will recognize that we have it now. In Alabama, Georgia, Wisconsin—in all of the States, in all of the 54 different jurisdictions of this welfare morass you have an established base, a fixed base or floor.

Since the inception of the social security system, we have provided some regular assistance to those who are unable to work. The current payment to the needy family of four in the State of Georgia, for instance, is almost exactly the level proposed as a national base. The Georgia base is $2,396, when you add to the $1,596 the $800 allotment for food stamps.

That is only $4 less than we are proposing in this bill.

It is my belief, from careful study, that the equalization of base payments across the country will do much to slow and perhaps halt migration from rural areas to urban areas, which now compounds the welfare costs and problems in our metropolitan regions.

It is of course much less expensive to provide a healthful and stimulating environment in small towns and rural areas than in overcrowded regions. Problems manageable if approached with determination in a low-population area sometimes seem impossible to solve in the junglelike profusion of the metropolis.

Altogether it seems to me clear that it is the time now for the Congress to proceed with this legislation, which should vastly improve the present system—that is, if it can be dignified by calling it a system.

Striking title IV would in my judgment be making the catastrophic mistake of sweeping a dirty problem under a rug that is not big enough to cover the problem.

I listened with great interest to what my delightful friend from Texas (Mr. BURLESON) had to say, and with great interest and concern to what my equally delightful friend from Oregon had to say about this bill. I respect their reasons for disagreeing with my position and for opposing the bill.

One has said that there is no money limitation in the bill. Let me say this: there is none in the present law. Find it and point it out to me, and I will retract the statement. The present system is open end all the way.

But there is a time limitation proposed in this, and it is 5 years. What we are trying to have the Congress say is that the present welfare structure is a shambles. We all know that is true. Aid to families with dependent children is the fastest growing sector of our public cost. If we fail now to take an opportunity for a 5-year trial run change, we will in my judgment place ourselves liable to sharp criticism 5 years from now when our State legislatures begin to tell us what we could have done to stop this.

We are told there are training programs we could institute now which would help to relieve the hidden costs of welfare, such as crime; the hidden costs of welfare, such as the extensive costs in the field of public education; the hidden costs of welfare, such as slum and ghetto housing.

All these things must be taken into account when we ask ourselves, "Can I afford to vote to take title IV out of this legislation and forego an opportunity given me to correct, or to at least change and see whether we correct, one of the worst phases of our whole society?"

The CHAIRMAN. The time of the gentleman from Georgia has again expired.

Mr. CORMAN. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. Chairman, today I say to you this committee of 25 distinguished Members or at least 24 distinguished Members of the House of Representatives, under the leadership, as the Speaker told you earlier, of two giant legislators, has come forward with a program for training and work requirements that, in my judgment, will do more to eliminate this poverty situation we have talked about since 1964 than anything that has been proposed in the 20 years I have been a Member of this Congress.

Let me say to you again as emphatically and as earnestly and as sincerely as I can that to remove title IV from this bill is, in my judgment, to put the worst problem facing this society today under a rug that simply will not cover it, and you will have to come back here and face it year after year after year with costs under the present structure growing to astronomical proportions.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 10 minutes to the gentleman from New York (Mr. CONABLE) a member of the committee.

(Mr. CONABLE asked and was given permission to revise and extend his remarks.)

Mr. CONABLE. Mr. Chairman, as this afternoon has worn on it has been apparent to me not only the core but the central concern of this proposal is title IV. There are many other interesting and important reforms in this bill. I would like to commend them to your attention. I think many of you will be pleased with the long-term effects of these reforms, but this afternoon I am going to limit my remarks to title IV.

It has been said over and over again that everybody is upset with the present system; that it is a mess. I do not disagree with that. It has also been said that the family assistance plan, the title IV proposal, is a time bomb. It may be. I do not believe it is anywhere near as much of a time bomb as letting the present system continue. I think anybody who has studied the present system and its effects not only on the recipients of welfare but on the taxpayers would have to agree with that, also. The reason why the present system has been so bad is because of the disincentives that it contains. We have 90 percent of the American people now on an incentive system, and that system works pretty well. We have reason to be proud of the way our system works. Yet we have 10 percent of the American people, the people who have been less successful economically, on a disincentive system that has so far produced only a repetitive pattern of poverty from which it is very difficult for them to extricate

themselves and which is the source of the anxieties leading to this bill.

These disincentives are, first of all, the disincentive to work, which is implicit in a system that does not deal with the problem of the working poor.

If a person is working only part time or if he is working at very low wages, in a substantial part of this country, he is disqualified for welfare. If a person is disqualified for welfare, in other words, he may be penalizing his family if he continues to work for wages less than what he can draw in welfare.

Now, if that is fair, if that is a system that is productive in terms of the incentive that drives the rest of us, then I do not understand the incentive system.

Mr. Chairman, unfortunately, the disincentive to keep the family together is also part of our present system. The family of a man who has low skills, if there are children, may be much better off if he leaves the family, lives on what he can earn himself and leaves the rest to draw welfare.

This kind of disincentive, of course, runs completely counter to what we like to think of as our traditional American values. Under this sort of disincentive system we have had some very unhappy statistics.

Mr. Chairman, it is interesting to note just what has happened since this administration took office under the old welfare system.

In January 1969 under the program of aid for dependent children there were 6,220,000 recipients drawing aid. By March 1971 there were 10,166,000 an increase of 3,946,000 or an increase of 63.4 percent over slightly more than a 2-year period. If that is not a time bomb, I never heard of one.

Another statistic shows that we have gradually moved away from the normal family unit toward the family without a male present. Seventy percent of the families now on aid for dependent children are families without a male technically present, without a father for one reason or another, and that means, of course, that the present system has contributed to a serious problem of preserving the pattern of family life.

Another thing that has happened under our present system is that we have built up a patchwork program of welfare with widely ranging benefits and eligibility standards.

One of our States pays at this point $60 per month for a family of four. Other States pay as high as $350 per month for a family of four.

Mr. Chairman, with this kind of a patchwork system it is small wonder that the poor have achieved undesirable mobility. They have been drawn like a magnet to the high welfare urban centers away from the environment in which they are used to living, into an environment in which they form the basis for the urban blight, social problems, alienation and maladjustment that usually are associated with our cities nowadays.

Mr. Chairman, what does title IV accomplish in the light of these unhappy statistics?

First of all, it does provide for supplementation of the working poor. This has been gone over in great detail. Under title IV, a man will always make more money if he is working than if he is not working.

Let me say that the benefits of less than $2,400 for a family of four in five of our States reflects the disparity between the high and the low welfare States. The floor will introduce greater equity into the system. It should reduce the mobility of our poor. It should permit them to be dealt with in their homes instead of some distant urban center.

This bill also provides effective work and training requirements for the first time.

There has not been much emphasis put on this today because it has not been the concern it was last year. These were effective work and training requirements include a new involvement for the Department of Labor rather than putting reliance on the determination of the availability of work or the suitability of work on the traditional welfare worker whose characteristic in the past has been at times more sympathetic than reflective of good judgment.

There are arguments against title IV, and many of them have been adduced, and I would like to deal with some of them briefly.

First of all, this bill does add between 10 million and 11 million people to the rolls, and that statistic alone is sufficient to scare a lot of the Members of this House. But let me call your attention to the fact that the 10 million people added to the rolls are not being added in the traditional state of idleness; they are the working poor who will be receiving supplementation under title IV. As such we cannot simply view them as being added to the traditional welfare rolls. They are, in other words, people who were ineligible in the past, not because of high income, but only because they were too proud not to quit work and improve their incomes by going on welfare. They are finding the financial incentive to continue to work in this act.

Another argument against this bill has to do with the increased cost, which runs between $5 and $6 billion from the best estimates we have been able to get for the first full year of operation. However, as has been pointed out, the estimate is that the cost of this program will equal the cost of a continuation of the AFDC program by 1976 at the present rate the AFDC program is expanding in cost.

Now, that is a fact we cannot get away from. The increasing cost of AFDC is probably inevitable because the system is so unsound. You will see that such a very serious condition faces us, a long-term condition that we must deal with.

I hope by this process, by the process of putting the incentive in the right place in our welfare system, that we will be able to establish a long-term pattern that will be considerably cheaper than the long-term pattern implicit in the statistics for AFDC.

Another one of the arguments against the title IV program is that it is a guaranteed annual income.

We can argue about the technicalities of it being a guaranteed annual income, but it is a guaranteed annual income to only those who are willing to register for work and training, and that is a condition that is imposed on the guarantee.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 additional minutes to the gentleman from New York.

Mr. CONABLE. Mr. Chairman, it is not a universal, but is guaranteed only for those who have been covered traditionally by AFDC. It is not available to everyone.

Mr. CAREY of New York. Mr. Chairman, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman from New York.

Mr. CAREY of New York. Mr. Chairman, I thank the gentleman for yielding. The gentleman is discussing a point upon which I would like to comment. I think it is true that we are straining at words when we associate this bill with the notion that it is a guaranteed annual income. Essentially an income is provided to a person who is able to work and willing to work, and is assigned to training and to a job. Then pay becomes income. Our notion of income in this country is that you work and you get income. The floor of $2,400 for a family of four can hardly be considered as income if that family is not supplemented in some way, because we know that the povery level is much higher than that, so we really cannot say that the family has an income when it has no discretion overall as to what to do with the $2,400. With the $2,400 all they can really do is buy the very bare necessities to stay alive and hope they can better their own lot by getting into the work program so they can get to the earnings level that produces income.

So while there is a floor here under what we might call family assistance it is not income until they really get into the work program that is in this bill. It is only when you get into the work training and labor program that there is a guarantee in this bill, is that correct?

Mr. CONABLE. I thank the gentleman for his contribution in clarification of that phrase "guaranteed annual income". It is perfectly true that we do have in each State some level of income guaranteed without condition and therefore in many cases guaranteed in idleness. This is something that cannot be stressed enough. It is not enough to put a label on this and say that this is guaranteed income and thus evoke the emotional reaction that many people have to such a phrase, without analyzing, as the gentleman has, what we are actually talking about.

Mr. FULTON of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman.

Mr. FULTON of Pennsylvania. The gentleman from Oregon (Mr. ULLMAN) said that all the new cases in New York City on welfare will be paid for completely by the Federal Government. Nobody has denied that. Is that true?

Mr. CONABLE. Talking of New York—or any State——

Mr. FULTON of Pennsylvania. I am asking as to New York City.

Mr. CONABLE. Talking of New York or any State, the cost of the increased case load is carried by the Federal Government provided benefits are not increased and provided that the State is willing to turn over the administration of the program to the Federal Government.

Mr. FULTON of Pennsylvania. So that in New York City, every new person getting on welfare in the City of New York will then be paid for by the Federal Government?

Mr. CAREY of New York. Mr. Chairman, will the gentleman yield?

Mr. CONABLE. I yield to the gentleman.

Mr. CAREY of New York. While the gentleman from Pennsylvania has not addressed the question to this Member—coming from New York City, this Member would like to respond as follows:

The hold-harmless and pick-up of the caseload by the Federal Government only obtains where that caseload results from the operation of this legislation where the Federal Government is responsible for the increase in the caseload. How does the Federal Government become responsible for the increased caseload under this bill?

Under the takeover of the administration, the Federal Government determines eligibility. The city of New York has nothing to say about who becomes eligible. Therefore, it is not only responsible but proper to say that if the Federal Government is determining the eligibility for somebody in New York City or Detroit or Pittsburgh or any other part of the country, and the caseload goes up as the result of that eligibility determination by the Federal Government, that the Federal Government should pick up the tab.

Mr. CONABLE. May I answer that? What is happening now, of course, is that the Federal Government is picking up a very substantial part of the tab for the program administered locally in New York City under their eligibility requirements.

Mr. CAREY of New York. Mr. Chairman, if the gentleman will yield further?

Mr. CONABLE. I yield to the gentleman.

Mr. CAREY of New York. There is one further proviso, the Federal Government picks up the cost of the increased caseload if there is an increased cost. But if through the operation of this program people move into employment situations, it is conceivably and fondly to be hoped that the actual cost of the program could go down even though a greater number of people are participating. More people might be better off and the city could be relieved of the expenses and at the same time more people would benefit, but the cost to New York City could not go higher. That is a clear possibility and probability that we hope for under this bill.

Mr. FULTON of Pennsylvania. I thank my colleague very much.

Mr. CONABLE. Since my time is limited, I would like to complete this statement, if I may.

Another criticism of title IV is that $2,400 is not enough for a family of four. That has already been dealt with briefly.

But let me say this. For the first time this bill puts a Federal floor under welfare. We have had no Federal guarantee up to this point and many of our States are below this level. So for the first time, we have a Federal floor. On the other hand the State supplementation can continue at the level it has since most States are getting some fiscal relief, although some of our States because of the fiscal pressure that the present system is putting on them have already decided to cut back on benefits.

The argument is made also that this bill picks up 100 percent of the welfare cost of some States and only a comparatively modest part of the cost of welfare in other States. For instance, as to the State of Arkansas, it was pointed out that 100 percent of the cost of welfare there has been picked up federally while in New York, my own State, only 22 percent of the cost has been picked up. But the total dollar amount of the cost picked up in Arkansas is $19 million. The 22 percent picked up in New York State is $188 million, almost 10 times as much money in total. So it depends on how you are looking at it. Certainly, there is no serious inequity as between Arkansas and New York, if New York is receiving fiscal relief in the amount of $188 million while Arkansas is getting only $19 million, even though the $19 million is the total cost of the Arkansas program.

My colleagues, let me say that there has been a great deal of carping about this program that the Ways and Means Committee has labored so long and finally brought forth. And I know why that is. Welfare is a very visible and unpleasant part of our social structure. We like to believe that in our competitive society everybody is going to win. The taxpayers do not like to work involuntarily for the benefit of those who are not working. There has been a tendency on the part of our local officials to use welfare as a whipping boy, and therefore we are having the finger of shame pointed at our welfare system a great deal.

The easy thing to do, and in many cases the political thing to do, is to keep your head down and say, "I am not going to take any responsibility for this. I am going to be against it." That is what many people are doing here, because they have made up their minds that that is the best political course. But it is an impossible course.

I hope that you will earnestly look at the logic of the proposal that has been submitted by our committee. I hope that you will realize that everything looks yellow to the jaundiced eye, and that if you are willing to strip away some of the rhetoric, some of the labels, some of the formula that is involved in trying to deal with such an unhappy aspect of our society, you will come to the conclusion that what has been recommended is logical and will get us back in control of events, instead of being controlled by events to the extent we have been under the system presently in effect.

We hope that this program has a real chance of success. I cannot promise you that any more than any member of the committee can. But consider the alternatives. Consider the probabilities, and I think you will vote to keep title IV in this bill and to give us a chance to try to work our way out of what has become a very serious problem not only for our poor but also for our taxpayers.

(Mr. ROUSSELOT asked and was given permission to revise and extend his remarks.)

Mr. ROUSSELOT. Mr. Chairman, I rise in opposition to H.R. 1, the so-called Welfare Reform Act which is basically a hoax and deceit. Primarily I do so because this bill will compound and administratively confuse and increase the welfare rolls and once again sock the "working poor" taxpayer with an additional tax. The constructive alternative, in my opinion, would be to design a positive phaseout program to remove the Federal Government from its overbungling involvement in welfare which has rapidly proven to be a failure. The present welfare program, which almost all in this body unanimously agree is a mess, is only expanded and intensified by this legislation. Those who claim that it is impossible to phase the Federal Government out of this welfare business are evidentally unable to read in history where Congress has tagen steps to remove the Federal Government from given areas of responsibility such as phasing out wars as well as businesses where it did not belong, for example, synthetic rubber plants at the conclusion of World War II. The evidence, to me, appears overwhelming that we should not enact H.R. 1, and my reasons can be summarized as follows:

First. Too few in the Congress today seem to show any concern for the majority of Americans who should really be classified as the "working-poor taxpayer" who will have to carry the tax burden of this welfare idiocy. If the proponents of this bill are correct, and in my opinion once again they are underestimating the true eventual cost as it will require additional funds of $4 to $6 billion in the first year, then it is a misnomer to claim that the States and local government will be sharing certain costs when the money to support this increase will be rung out of the same poor taxpayers throughout the country. Whether it is the Federal internal revenue collector that shakes it out of our individual constitutents or the State tax collector, or the couny tax collector, is of little importance. It is the same dollar confiscated in one way or another to support, unfortunately, many individuals who do not wish to work but have devised all sorts of ingenious schemes to live off the working taxpayer.

Second. According to the city of New York, which has carried on a demonstration program since 1967 and offered monetary work incentives even more generous than those allowed in H.R. 1, this plan will not encourage people to go to work. According to the Wall Street Journal, and various New York City documents, some 200,000 welfare families were offered monetary work incentives to "get off welfare" with allotments that

had a beneficial effect greater than those offered in this bill H.R. 1. What were the results? Only 235 families out of the 200,000 included in this program actually worked their way completely off welfare. It is clearly on the record that these income supplements did not work. Now, under this legislation, we are asking an entire nation to accept without proof a similar program.

Third. Federalizing the welfare program, despite the soothing cries of the proponents, will not, in my opinion, solve the problem but compound it. The proponents admit that they will eventually have to add up to 30,000 new employees just to administer this plan. It is my belief that this will merely duplicate the thousands of social workers and employees already working at the county and State level of government and in various private charitable organizations. Most of my colleagues know full well that Federal bureaucracies grow and swell with time and become farther and farther removed from the people they are supposed to serve.

Fourth. Last year the then senior Senator from Delaware, the able and distinguished John Williams, and chairman of the Finance Committee Senator RUSSELL LONG, reviewed the many features now contained in H.R. 1, especially as it relates to the welfare package. Their statements regarding the legislation then known as the family assistance program, much of which is now contained in this bill, I think are significant points to remember:

[From the CONGRESSIONAL RECORD, Dec. 31, 1970., p. S21730]

There was never any problem insofar as the Finance Committee was concerned in authorizing and providing money to have a pilot program to provide an honest test for the family assistance plan as well as the alternatives to it. The final and complete failure of the proposal resulted from the fact that the Secretary of Health, Education, and Welfare, speaking for the administration, doggedly insisted that the administration must have the right to trigger this grandiose scheme into full effect, nationwide, after a 1-year trial period, even if a great number of people in Congress had, by that time, concluded that the plan was an utter and complete failure—which it showed every prospect of being.

During the consideration of the plan by the Senate Committee on Finance, the administration changed its plan at least a dozen times, trying to meet criticisms and obvious shortcomings.

The administration proponents of the plan made the full cycle. They tightened up on work requirements and other loose provisions of the bill to attract conservative votes until they ran off liberal supporters, then they loosened up on the tight ends until they ran off conservative supporters.

If one assumes—as most of us do—that a proper welfare plan would remove from the rolls a great number of persons' names who never had any business being there in the first place then that is the one failure of the existing program which the administration never sought to change. Some of us pointed out that individual welfare cheaters are on the rolls in some States as many as five and 10 times. The President's plan provided far better for illegitimate children than it did for children born in wedlock. The plan provided better for people who declined to work than it did for people who did work.

All of these failures of the existing welfare program were thus to be grandfathered in as a part of the grandiose new scheme under the White House proposal.

The comments made by the two gentlemen from the Senate last year point up very candidly the basic similarity of this legislation especially title IV. It will not work. It will not produce the results claimed by its proponents which are that it will encourage people to voluntarily and systematically remove themselves from welfare and become productive working citizens. The proper incentives are not there.

Fifth. The "hold harmless" clause in this legislation leaves many unanswered questions and in effect lets most State governments off the hook by saying that they will not have to spend more for welfare than they did in 1971. So, the future cost of welfare expansion will be absorbed by the Federal taxpayers and some States are apt to lose the incentive to reduce their caseloads. Governor Reagan, in a June 18 memorandum to the Members of the California delegation to Congress, stated:

Therefore, I am notifying our delegation and others who have inquired that I support any effort to strike Title IV from H.R. 1 so that it can be considered separately on its own merits, hopefully after sufficient time is allowed for all the States to form their opinions and inform their delegations. All we know now for sure is that, under any combination of options, net cost savings to California under the "Hold Harmless" clause will in no way equal or exceed the total impact on California's Federal taxpayers resulting from a program cost increase of $5 billion. Californians pay in excess of 10 percent of the cost on any Federal program. Thus, H.R. 1 has an immediate built-in cost to them of over $500 million.

Sixth. Legislative history would be better served and more precisely defined if we did not today lump welfare concepts together with amendments to the basic Social Security law. It is my very strong feeling that we do a great disservice to both of these areas by considering them in one package when, in fact, provisions of both should be considered separately.

Seventh. Plans are already underway by the administration to expand this bill in the Senate. Assistant Health, Education, and Welfare Secretary Robert Patricelli has been recorded as stating that—

The Administration will work to liberalize the bill even further if it gets to the Senate.

My question is, Liberalize it for whom? The something for nothing constituency, or the already oppressed taxpayer and workingman of America.

Mr. CORMAN. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio (Mr. VANIK).

Mr. VANIK. Mr. Chairman, last Thursday, June 17, 1971, I made a speech in the House of Representatives entitled, "Social Security—Meeting Its Commitments." Today, as we consider H.R. 1, I would like to address my remarks to payroll taxes and the social security system.

In recent weeks, certain newspaper accounts reported that the social security changes proposed this year will raise social security taxes 86 percent.

This is the outer limit computation of social security tax increases based on a comparison between 1971 and 1977. The average worker covered under social security will pay an increase in 1972 of 3.8 percent. By 1977, the average worker's payment will increase by 42 percent over 1972. Furthermore, under present law, the average worker's taxes would have increased 16 percent by 1977.

If the cost of medicare and the medicare tax were disregarded, the social security tax is reduced nearly 9 percent by 1972. The increase in the combined social security tax is due to the sharp rise in costs of hospital insurance and to the extension of hospital insurance to the disabled. The new law provides an added insurance protection by providing medical insurance to the worker who becomes disabled. Except for the hospital insurance factor, social security taxes are lower in 1972, 1973, 1974, and 1976 as follows:

CONTRIBUTION RATES FOR SOCIAL SECURITY CASH BENEFITS PROGRAM

	Present law	H.R. 1	Percentage change
Year:			
1971	4.6	.....	0
1972	4.6	4.2	−8.7
1973	5.0	4.2	−16.0
1974	5.0	4.2	−16.0
1975	5.0	5.0	0
1976	5.15	5.0	−2.9
1977	5.15	6.1	+18.4

It can be seen that H.R. 1 will reduce the tax rates on the cash benefits program through 1976 except for the year 1975, when they are unchanged. Although these rates are scheduled for an 18.4 percent increase in 1977, this is not likely to happen. By 1975, under the schedule of H.R. 1, there will be an annual increase in the trust fund of nearly $13 billion. This will provide the basis for a tax revision downward by that time.

The following table confirms the congressional policy of postponing scheduled tax increases as soon as it becomes clear that these increases will not be needed. The following list shows the various postponements of scheduled increases in social security contribution rates that have occurred over the years.

The 1939 act reduced scheduled rates for 1940–42 from 1.5 percent to 1 percent.

Legislation in the 1940's reduced scheduled rates for 1943–45 from 2 percent to 1 percent, for 1946–48 from 2.5 percent to 1 percent, for 1949 from 3 percent to 1 percent, for 1950–51 from 3 percent to 1.5 percent, and for 1952 and after from 3 percent to 2 percent.

The 1950 act reduced scheduled rates for 1952–53 from 2 percent to 1.5 percent.

The 1965 act reduced scheduled rates for 1966 from 4.125 percent to 3.85 percent, for 1967 from 4.125 percent to 3.9 percent, and for 1968–72 from 4.625 to 4.4 percent.

The 1967 act reduced scheduled rates for 1968 from 3.9 percent to 3.8 percent, for 1969–70 from 4.4 percent to 4.2 percent.

H.R. 1 reduces scheduled rates for 1972 from 4.6 percent to 4.2 percent and for 1973–74 from 5 percent to 4.2 percent.

Federal employees already contribute at substantially higher rates on their retirement programs. While social security rates will be 4.2 percent on the cash benefits program up to a ceiling of $10,200 under H.R. 1, Federal employees pay 7 percent contributions on their entire salaries. Railroad employees and employers contribute almost 9 percent each on their cash benefits program as per the following table which shows the maximum tax:

COMPARISON OF RAILROAD RETIREMENT AND SOCIAL SECURITY CASH BENEFITS CONTRIBUTION RATES AND MAXIMUM ANNUAL AMOUNT OF CONTRIBUTIONS UNDER H.R. 1

	Social security		Railroad retirement	
	Employer-employee each (percent)	Maximum annual EE tax	Employer-employee each (percent)	Maximum annual EE tax
1972–74	4.2	$428.40	8.95	$912.90
1975–76	5.0	510.00	9.75	994.50
1977 on	6.1	622.20	10.85	1,106.70

In most industrialized foreign countries, the employee contribution rate for old age, survivors, and disability insurance is often considerably higher as per the following table:

CONTRIBUTION RATES FOR OLD-AGE, DISABILITY, AND DEATH BENEFITS IN SELECTED COUNTRIES

Country	Rates (percent)	
	Employee	Employer
Argentina	5.0	15
Belgium	5.5	7
Brazil	8.0	8
Canada	4.0	3
France	3.0	5.5
Italy	6.9	13.75
Japan	3.6	3.6
New Zealand	7.5	7.5
Norway	4.0	8.8
West Germany	8.0	8.0

In many cases, the employer tax is even higher than the tax paid by employees. In Italy, for example, the employer's contribution rate reaches 13.75 percent. Thus it can be seen that our trading partners contribute to the social security programs of their countries at generally higher levels.

Those who attack social security speak of social security taxes as if they were just another tax. They disregard the fact that social security contributions are paid for specific insurance coverage—not available to those who are not covered.

The Ways and Means Committee has been criticized for being reluctant to push the wage-base ceiling up as fast as inflation and wages have been increased. Actually, the wage base has been increased seven times since 1950 from $3,000 to $10,200. The increases have roughly matched the increases in wage levels over this period. Under H.R. 1, provisions are included to automatically keep the wage base up to date. While some attack the increase in social security contributions, they completely overlook the fact that taxes have only increased because of the higher wage base which they say has not increased as fast as it should.

Since most employers have no other retirement programs for their employees and since over 70 percent of the 95 million workers have no other work-related pension plans, the social security system has become the primary source of retirement support. If there were no social security program, employers would be under tremendous added pressure and obligation to provide a retirement program as a part of labor contracts. Supplement retirement programs are premised on the social security base. The social security program has therefore provided employers with a basic program of retirement support for their employees. No better alternative program has been suggested.

(Mr. VANIK asked and was given permission to revise and extend his remarks.)

Mr. CONABLE. Mr. Chairman, I yield 7 minutes to the gentleman from Virginia (Mr. SCOTT).

(Mr. SCOTT asked and was given permission to revise and extend his remarks.)

Mr. SCOTT. Mr. Chairman, I am quite aware that the committee has spent considerable time on H.R. 1 which we are now considering, and has held extensive hearings extending over a period of several months. We have a bill before us that contains 687 pages. The report is 385 pages long. Frankly, I think it is too large and complex a measure for us to consider in the manner it is being considered today on the floor of the House. Certainly it is too large and too complicated a bill for the Members of the House who do not serve on the committee to understand fully.

However, I have reviewed both the report and the bill. There are a number of provisions that concern me. I am concerned about the concept of a guaranteed income, whether it is called a guaranteed annual wage or not. I am concerned that a family of four would receive a minimum of $2,400. I know there are Members of this House who would like the guaranteed family income to be much larger. However, I believe it lays the foundation for demands to be made each year to increase this floor that we would put under income. I hate to see this Government guarantee any level of income to able-bodied citizens whether they work or not. It seems unfair to the taxpayers who do work for their living.

Mr. Chairman, I notice in table 12 on pages 227 and 228 of the committee report that there are at this time something over 15 million people in this country now receiving welfare payments. If this bill is adopted according to the committee report, there will be more than 25.5 million people receiving welfare. That is an estimated increase of 10.5 million people on the welfare rolls.

The committee report indicates that in my own State of Virginia there are 185,400 persons now receiving welfare. If this measure is adopted, the report indicates that the number will increase to 566,500 people. In other words, the number of welfare recipients in the State of Virginia will be multiplied by a little more than three.

Mr. Chairman, I submit that the people of this country are concerned about welfare. They are concerned that there are too many people receiving welfare checks. I do not believe the people of this country want the number of welfare recipients in Virginia to be multiplied by three. This would mean slightly more than one out of eight Virginians would be receiving welfare checks, and the remainder of the people would be paying for this. In my opinion, the public wants less welfare payments, not more.

Mr. Chairman, I submit that we should have a pilot project. Perhaps we should have a number of pilot projects in different parts of the country to see whether the desire to take people off the welfare rolls and put them on the payroll, as is intended by this bill, will work. Will it work or will more millions acquire a welfare philosophy, a belief that it is easier to be supported by welfare funds than it is to work for a living? I am concerned that more people will acquire that welfare concept and that we will be spending more tax funds from the Federal Treasury on welfare.

Certainly there is no suggestion that this is going to cost less money in the near future.

In conclusion, Mr. Chairman, I believe that we will be spending more money and we will be indoctrinating the people of this country with the welfare concept. Therefore, I cannot support this measure and urge that it be rejected by the House, so that the Committee on Ways and Means can again consider the overall welfare system in this country and report a bill that will reduce the number of people receiving welfare and the costs thereof.

Mr. CORMAN. Mr. Chairman, I yield 5 minutes to the gentleman from Massachusetts (Mr. O'NEILL).

(Mr. O'NEILL asked and was given permission to revise and extend his remarks.)

Mr. O'NEILL. Mr. Chairman, at the outset I want to say that I am in favor of title IV.

Mr. Chairman, I listened yesterday to the distinguished gentleman from Arkansas, the chairman of the Committee on Ways and Means, and I thought he did an excellent job. I have to agree with Mr. MILLS that one of the greatest problems facing our country today is the welfare problem. It is a major problem in every State of the Union.

Mr. Chairman, my State, the Commonwealth of Massachusetts has a budget, at the present time, of almost $2 billion, of which $950 million, or nearly 50 percent of the State budget is currently spent on welfare. Massachusetts can no longer afford to continue to pay this huge amount to welfare recipients.

Now, Mr. Chairman, there are many inequities in this bill. No one can question that fact.

People say to me, "How can you justify the fact that they are suggesting a base of $2,400 a year, when the Department of Labor States that the poverty level for a farm family is $3,200 a year and the poverty level for an urban family is $3,800 per year?"

How can I justify the figure of $2,400? I reply: How can I justify the fact that a person on welfare in Mississippi receives $972 a year? How can I justify the fact that if a person lives in Arizona, he

receives $2,076 a year? If one lives in the State of Illinois, $3,408?

In Massachusetts, a family of four which is on aid to dependent children receives $3,960. A family in New Jersey, I believe, receives the highest in the country, $4,164; New York, $3,756; Pennsylvania, $3,612; and Connecticut, $4,020.

Mr. MILLS tells me that under this bill Massachusetts gains about $43 million. Yet the Governor's office tells me the State only receives a gain of $10 million. Let us write into the record Mr. MILLS' figure.

The interesting factor about this bill cannot be overlooked: At the present time, Massachusetts pays $3,960 to a family of four. The Federal Government pays 50 percent of that, which is almost $2,000, or $1,980. Under this bill Massachusetts gains $420.

The State of Illinois pays $3,460 and the Federal Government pays one-half of it, or $1,730. If the State gets $2,400 under the provisions of this bill, Illinois stands to gain $670.

Now, there is nothing in this bill which says that the State of Illinois cannot give more money. The Federal Government is going to give Illinois $2,400. It is up to the State if it wants to augment the $2,400.

There is nothing contained in this bill, as I understand it, which says that one must raise or one must cut. The law remains as it was. That is as it should be, allowing the State to determine the scale. Those States which do not match the minimum requirement must pay $2,400.

The gentleman from Pennsylvania expressed concern over the provision in this bill which causes the mother to be taken away from the family. I do not think the mother will be taken away from the family. The mother will not be required to work unless adequate provisions have been made for the children.

Mr. Chairman, we have one plant in the city of Cambridge that has taken about 60 mothers off the welfare rolls; other mothers who are still on the welfare rolls hope that they, too, can obtain employment at this plant. The mothers who work at this plant bring their children to work with them each morning. The plant provides a nursery teacher and a nurse. At 10 o'clock the mother has a coffee break with her children; at noon she has lunch with her children. At 3:30 she takes her children home and she thinks she is fortunate.

Probably, there is not anything like that plant in the bill, but the idea is contained in the purpose of the bill. The intent is to set up child care centers. In my opinion, child care centers will be established by the enactment of this legislation. This legislation will be a significant step forward in erasing the inequities of welfare which have been manifested so overtly in the past.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. CORMAN. Mr. Chairman, I yield 3 additional minutes to the gentleman from Massachusetts.

Mr. O'NEILL. Mr. Chairman, many things about this whole welfare system have bothered me. One, in particular, is the way in which the present welfare system has encouraged the disintegration of our family structure. I want to tell you about an example of a married man who has a family of six children and works in a car wash. Earning a minimum of $2 an hour, he makes $80 a week to support those six children. At the end of the first week he goes in debt. At the end of the second week he goes further in debt. At the end of the first month, and the month after that, he goes further and further in debt. Finally, the father reaches a point of frustration. He leaves the family. Why does he leave, when he loves his wife; why does he leave, when he wants to keep the family together as a unit; why does he leave, when he knows that once the father deserts the family is destroyed? He abandons the family, because if he leaves his wife, the mother can get $126 a week on welfare. This instance is not unique. It is happening each day in every State of the Union.

Now, I say that this bill does not accomplish all that I want in welfare reform. But I believe we should have a subsidy. I think we should give that man with six children an extra $46. By giving him that extra $46 we save the Government and the taxpayer $80. But more importantly, we make a bigger saving; we give the man his self-respect; we keep the family intact as a whole unit. The family remains in a healthy environment; it does not disintegrate.

Most significantly, there is no crime. Remember, if we keep the family together, we will prevent 50 percent of the crimes in America.

No; subsidies are not in the bill. They should be. But we cannot put everything in the bill on the opening day. That is why I say to you that I think this measure is good legislation in the direction toward substantial welfare reform.

As I looked over the rollcall, I was amazed to see the two groups that voted: The overconservatives, and, let us say, the ultraliberals. One group claiming we were giving too much, and one group saying we were not giving enough.

To the group that says we are giving too much, I say to that group that this is probably the absolute minimum. We cannot justify, in my opinion, $972 to a family of three on welfare in any State. To those who say that we are not giving enough when we pay the $2,400, let me say that this measure is the opening wedge for better legislation. It is an opening wedge which will try to keep families together. It will pay dividends, ladies and gentlemen. I repeat, if we pass this bill, it will pay great dividends when 5 years are past.

This House owes a debt of gratitude to the Ways and Means Committee and its distinguished chairman from Arkansas, Mr. MILLS. Title IV should not be stricken from the bill.

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the gentleman from Minnesota (Mr. FRENZEL).

(Mr. FRENZEL asked and was given permission to revise and extend his remarks.)

Mr. FRENZEL. Mr. Chairman, I intend to vote in support of H.R. 1, including title IV.

Our present welfare system does not work well at all. Coverage is nonuniform. incentives are lacking, working requirements are not considered, costs are high and rising, and "welfare immigration" is rampant.

H.R. 1 offers some hope for improvement through incentives, mandatory training, mandatory work, and day care. It also will relieve some State cost obligations.

The present "Federal" system binds the States to a Federal program they may or may not like, and in turn binds the Federal Government to State expenditures it may or may not like. The worst features of the present law are the lack of incentive for welfare recipients to be self-sufficient and the lack of authority to force welfare recipients to work if they are able.

Since we already have a nonuniform guaranteed annual wage under the present system, that concept need not be frightening. The minimums established in H.R. 1 are well below those now paid in most States. Of course there is no guarantee that minimums will not increase in the future, and there should be no such guarantee just as there is none in social security or unemployment compensation.

The cost of H.R. 1 is greater than that of maintaining the present system. We are told that it should be less in the long run. Things do not always work out as predicted, but it seems to me wise to select the alternative which offers a chance to hold down costs in the long run rather than the present system which offers no such opportunities.

H.R. 1 is not an unvarnished blessing, but our choice today is to have it or the present system which I deem totally unacceptable. Under these circumstances I choose H.R. 1.

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the gentleman from North Carolina (Mr. MIZELL).

(Mr. MIZELL asked and was given permission to revise and extend his remarks.)

Mr. MIZELL. Mr. Chairman, I rise today to express my wholehearted support for the honest and extensive efforts being made to reform this country's welfare system.

None of us in this Chamber can take any satisfaction from the present state of the welfare program, and all of us want to see it changed.

The overwhelming and ever-rising costs of welfare, the administrative chaos that characterizes almost every single welfare office in America, the demeaning effects that present welfare efforts have on recipients, the actual encouragement of family separation that is inherent in the present system—all of these and many more reasons tell us plainly that changes in the welfare system are imperative.

Now we are searching for alternatives, and I am delighted to see this kind of

search taking place at long last, for nowhere in this Government is there more desperate need for a good alternative, and for fundamental reform, than in the welfare program.

H.R. 1 provides many of the reforms, I believe, are needed.

Some of the best features of this bill, though not directly related to welfare reform, are those dealing with improvements in social security benefits.

These include:

First, an across-the-board, 5-percent increase in benefits, effective June 1, 1972;

Second, an automatic cost-of-living increase in benefits, provided the consumer price index increases by at least 3 percent a year;

Third, an increase from $1,680 to $2,000 the amount a retired person could earn without losing social security benefits;

Fourth, establishing a new Federal program to provide financial assistance to needy persons who have reached age 65 or are blind or disabled, effective July 1, 1972; and

Fifth, extending medicare protection to social security disability beneficiaries: disabled workers, disabled widows, and disabled dependent widowers between the ages of 50 and 65; people aged 18 and over who receive social security benefits because they became disabled before reaching age 22; and disabled qualified railroad retirement annuitants.

These provisions are good, and it is a terrible thing that they have to be tied together now with other provisions surrounded by so much controversy.

There are other good features of H.R. 1, more closely linked to improving the welfare system.

One of those features is the monthly income floor placed under our blind and otherwise disabled citizens. Separating them from the rest of the welfare morass is certainly a great step forward toward more extensive welfare reform.

I also favor the manpower training and placement provisions included in the bill, to provide training and job opportunities and to improve the skills of those people who are able to work.

The child care services and facilities provided by H.R. 1 would also be great improvements, not only for providing better care for underprivileged children, but also providing employment for many welfare mothers directly, and freeing others to participate in job training and gainful employment.

And H.R. 1 provides a potentially effective means of getting people off welfare rolls, by temporarily placing some of them in public service employment until they can move into permanent, productive jobs in the private sector.

Our emphasis and our goal should always be to stimulate private employment, rather than adding more and more people to the Federal payroll. Massive public employment is not the answer to the national problem of high unemployment, as some have suggested. But if creating public jobs is a partial solution to anything, it is the welfare problem.

I think it is important to have someone in the family going to work, to give people some pride in their way of life, to know they have accomplished something in using their own ability to provide for their families.

The hand up instead of the handout has always been the way we in this country have helped our fellow citizens. But the welfare system of the past and present have rejected that basic premise, and the result has been to literally kill people's incentive to do any better for themselves.

Evidence of that can be found in the ever-swelling welfare rolls that have brought local and State governments to the brink of bankruptcy.

And while it was certainly not intended to do so, the present welfare program has too often encouraged illegitimacy, family breakups, and immorality. This is a tragic and needless byproduct of our efforts to help those who cannot help themselves.

So we do need welfare reform. No one questions that. And we are so close to having a meaningful and acceptable welfare package.

But how can we justify the American taxpayer's having to subsidize another man's income from private employment, or contribute to public funds that will totally provide that income, when the taxpayer is having a hard enough time making ends meet for his own family?

How can we justify adding more than 10 million more people to the welfare rolls in this country, and call that reform? How can the State of North Carolina increase its welfare load from 248,200 to 821,600—an increase of 300 percent—when welfare costs are already putting a severe strain on government treasuries?

And how can we justify a program that offers no assurance that at some point in time welfare rolls and welfare costs will begin to decrease, rather than continuing in an upward spiral?

And what is to prevent future campaigns to increase the guaranteed annual income with each succeeding session of Congress? In the 91st Congress, the proposal was for an income floor of $1,600 for a family of four. That figure has jumped to $2,400 in the 92d Congress, and already there has been proposed a guaranteed annual income of $5,500. How far will escalation go?

And why should the Government-subsidized employee—or his employer, for that matter—look any further than to the Congress for future income raises?

How can we do all of this, and still say we have passed a welfare reform program? I say it cannot be done that way.

To provide welfare reform that is effective and acceptable to the people who must pay for it, we must get away from the stigma of a guaranteed annual income. We must provide the means of helping people help themselves, giving them the incentive to succeed on their own, to train for a job and be gainfully employed to get away from being a perpetual burden on the taxpayer.

It is a tragedy that the rule governing consideration of this bill does not permit correcting these unacceptable features in what is an otherwise excellent and much needed reform measure.

I will vote to strike title IV, the provision authorizing a guaranteed annual income, from the bill, but I will cast that vote in the sincere and fervent hope that the Ways and Means Committee will report a new but similar bill, excluding the unacceptable provisions I have mentioned but incorporating the reforms I have praised. Such a bill would receive my enthusiastic support.

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the gentleman from California (Mr. DON H. CLAUSEN).

(Mr. DON H. CLAUSEN asked and was given permission to revise and extend his remarks.)

[Mr. DON H. CLAUSEN addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.]

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the gentleman from Michigan (Mr. CHAMBERLAIN), a valued member of the committee.

(Mr. CHAMBERLAIN asked and was given permission to revise and extend his remarks.)

Mr. CHAMBERLAIN. Mr. Chairman, as we consider H.R. 1, a compendium of health, social security, and welfare measures and one of the most lengthy and complex pieces of legislation ever to come before the Congress, I wish to make a few observations concerning the proposed modification of the welfare system, for it is our success or failure in this crucial area that will determine the actual merit or worthiness of this legislation.

While this bill has generated much controversy there is one point on which there appears to be universal agreement—that is that our present welfare program is a catastrophic failure. Arising essentially during the dark depression days of the 1930's, modern welfare was intended primarily as a temporary backstop to the great many Americans who faced starvation and disaster. However, this temporary expedient has since evolved into a self-perpetuating miscreation that has assigned whole generations of families to a never-ending cycle of dependency while at the same time threatening to drive the Nation to the brink of financial chaos.

Under the present system one can find inequities of all types of existing side by side. People have been allowed to get on the rolls through simple declarations of income and resources, others are allowed to stay on the rolls while their circumstances have changed and payments are no longer justifiable, while still others who are truly needy get little or no assistance at all.

Nor do you have to go to the big metropolitan areas to find them. To see the disastrous effects of welfare migrations go to Benton Harbor, Mich., where the number receiving aid to families with dependent children has skyrocketed to where they now make up one-third of the city's entire population, a 100-percent increase in just 2 years.

One of the principal reasons for our welfare mess which allows for such shocking abuses and discrepancies is just plain bad administration of the programs. A recent study by the General Accounting Office to investigate the reasons for the skyrocketing welfare rolls in New York City estimated that in 1969 the city made excess AFDC payments in the amount of $70.9 million, payments which are financed at the rate of 50 percent by the Federal Government.

Or another sad example right from my own home area in Michigan further underlines this fact. There the local welfare department had been issuing replacement checks to individuals who claimed their original assistance checks had been lost, stolen, or missing for various reasons until it had reached a rate of $22,000 per month last August. A crackdown on this abuse involving careful administrative examination of requests for replacement checks has since caused this figure to be reduced from more than $69,000 for the first 5 months of 1970 to a total of only $127 for the same 5-month period this year.

These are not isolated examples. Similiar cases detailing the failures of the present system abound. Every Member must have heard of such instances in his own district. It is this record of past performance in the administration of existing welfare programs that gives me greatest cause for concern over the future prospects of H.R. 1. The Ways and Means Committee has made a serious attempt to correct the long-standing abuses presently associated with welfare, and as Chairman MILLS has said, we have tried to change this to a program that will be "hard to get on and easy to get off."

Whether or not the committee's efforts are successful will depend entirely upon the quality of the administration of the program. Unfortunately, if past experience is to be our guide—the court rulings that remove the deterrents to abuse, the vigorous activities of welfare organizations who appear determined to perpetuate a distinct welfare class, and the efforts of the pie-in-the-sky dogooders who ignore the practical realities of our economic limitations and capabilities—all these will work to derail what might otherwise hold promise in reversing the disastrous welfare debacle that is about to engulf us.

There is no question that welfare reform is needed. But what we need is welfare reform that will get people off the rolls and make them independent and this will require that H.R. 1 be administered with great zeal, intelligence, reason, and caution.

The American taxpayer deserves nothing less and will tolerate nothing less. My thought is well expressed by the words of a sixth district resident, who wrote just last week:

> My husband does service repair work for people on welfare and he sees how much better they live than we do! How long will our government permit the working man to suffer? Perhaps they will wake up when the working man quits working and decides to go on welfare too and "To Hell With Pride"; then it will be too late.

Let us in the Congress serve notice to all appropriate agencies and groups that we are determined to exercise all vigilance necessary to insure that H.R. 1 is administered in a manner that will conform with our stated intent to bring about the genuine reform of our welfare system.

Mr. Chairman, I know of no one who contends that H.R. 1 is a perfect bill that will solve all our problems and who is satisfied with it in all respects. As a matter of fact, the problem we are addressing may well be beyond solution. Nonetheless, the Ways and Means Committee has worked long and with diligence and, in my judgment, has come up with the best reform proposal possible. It has my support and I urge its approval by the House.

Mr. CONABLE. Mr. Chairman, I yield such time as he may consume to the gentleman from Tennessee (Mr. DUNCAN) another valued member of the committee.

(Mr. DUNCAN asked and was given permission to revise and extend his remarks.)

[Mr. DUNCAN addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.]

Mr. CONABLE. Mr. Chairman, I yield to the gentleman from Ohio (Mr. LATTA).

(Mr. LATTA asked and was given permission to revise and extend his remarks.)

Mr. LATTA. Mr. Chairman, due to the massive cost to the taxpayers and lack of real work incentives, I intend to vote against the establishment of a guaranteed annual income as proposed in title IV of H.R. 1. While I favor the many improvements to the social security system provided for in the other titles of the bill and especially the automatic cost-of-living increase provisions, I will vote to strike title IV from the bill so that I may in good conscience vote for the bill on final passage. As you may know, as a member of the Rules Committee I voted to send the bill to the floor with a special rule providing for a separate vote on this particular title.

Testimony before the Rules Committee by the chairman of the Ways and Means Committee, WILBUR MILLS, revealed the fact that the guaranteed annual income title of the bill would add 10½ million people to the 15 million people presently on welfare. The number of people eligible for welfare in Ohio would jump from the present 523,700 to nearly 928,700—an increase of some 77 percent. Mr. Speaker, the cost of such a program would be staggering. Estimates for fiscal year 1973 reveal a net cost of $11 billion dollars for H.R. 1—$5½ billion for the guaranteed annual income provision and $5½ billion for the social security adjustments.

I doubt very seriously whether the so-called work incentives in the bill will work in actual practice. Under the provisions of the bill, a family of four will be entitled to a payment of $2,400 per year. The head of the house could earn an additional $720 without suffering any reduction in his Government payment. However, if he earned $1,000 he would receive $2,213 from the Government making a combined income of $3,213 or a $93 increase in total income. Should he earn $2,000, he would be eligible for only $1,547 from the Government for a total income of $3,547. In other words, for earning an additional $1,000 he would end up with only $334 more income.

While most people agree that the administration of the present welfare system is enormous and complex, this new welfare proposal would be next to impossible to administer due to the complexities involved in individual payments and the fluctuations from month to month caused by varying earned and unearned income, increased assets, family additions, and so forth. Let us hope that the wage earners of this country will not have to pay for such a costly and wasteful program.

Mr. CONABLE. Mr. Chairman, I yield to the gentleman from Indiana (Mr. LANDGREBE).

(Mr. LANDGREBE asked and was given permission to revise and extend his remarks.)

Mr. LANDGREBE. Mr. Chairman, all over the counrty, people are saying that the Federal Government has gotten too big. The Washington bureaucracy has arrogated unto itself more and more power. Now the time has come to return power and responsibility to State and local governments, which can be more responsive to State and local needs.

Yet, at the same time, title IV of H.R. 1 would buck this overdue trend and concentrate all the responsibility and power of the welfare program into the Federal Government. Although American sentiment in the matter is clear, we have been asked by the proponents of title IV, the family assistance program, to federalize welfare. I find this amazing.

We have been told many times today and yesterday that the present welfare mess in America is intolerable. I quite agree. But title IV, Mr. Chairman, is not the solution.

Welfare is a mess today because of the meddling and bungling of the Federal bureaucracy with its unmanageable maze of guidelines. Yet we are being asked to reward this bungling by giving this same bureaucracy even more power that rightly should belong to the State and local governments of this Nation.

Although economic conditions vary from State to State and from community to community, we are being asked to establish from our own ivory tower on high a common standard of welfare, which may or may not be relevant to local situations.

Another alarming part of the family assistance program is the cost factor. This bill would raise overall welfare costs by at least $3.9 billion. Administrative costs alone would be escalated by $700 million in the first year.

But even more frightening than these amazing cost overruns is the psychology of title IV. More than any other piece of legislation ever passed by this body, this bill would establish once and for that the Federal Government owes you a living. Uncle Sam is your keeper, just because you happen to live here.

But if we are to maintain our greatness as a nation, our vigor as a country of people who want to support themselves, should not we instead encourage people

to make their own way? A guaranteed annual income, I submit, is not the way to do it.

Look at any newspaper in the country, and you will see many "help wanted" ads. True, these may not be particularly glamorous jobs, but they are jobs which can give a person the dignity of making his own way. These jobs await the willing hand, but a person on a guaranteed annual income may not be so willing.

Of course, we have been told to have faith in this program—that it will be the way to get people off the welfare rolls and onto payrolls. But on something so costly, I would like to have some evidence that it will really do the job. Has any such evidence been offered today? I have been listening to the debate very closely and I have not heard anything like evidence.

The family assistance program is so unlike anything else that has been tried that there is no experience factor by which we can gage its chances for success. There are some experiments going on which could give us some positive indications, but as yet the results have been inconclusive.

Why are we then so hasty in starting so massive and costly a program prior to the completion date of the pilot programs? Could it be that indications have shown that, to the contrary, it will not work? I really do not know, as no one has seen fit to address himself to this point.

In the past few days, my office has been bombarded by letters on H.R. 1—some calling for its defeat and some calling for its passage. Many of the supporters have said, in effect, "I know this bill is far from perfect, but pass it anyway. Then the Senate can pass their version and make it more workable."

Well, Mr. Chairman, I am not yet ready to go along with this House's abdication of its responsibilities to the other body. I believe we are quite capable of getting back to work and developing some kind of workable solution to the welfare mess. The people of America elected us to do this kind of work, not to pass the buck to the other body.

By the same token, I strongly object to the closed rule which prevents this body from really working its will on H.R. 1. I can see quite well where the closed rule may be necessary during consideration of some legislation. But I can see no justification for it in this bill.

In addition, the lumping of major overhauls of social security benefits, medicare, medicaid, aid to the disabled and assistance to the poor into one "take-it-or-leave-it" package is a gross abuse of the closed rule privilege.

Finally, Mr. Chairman, hanging ominously over the deliberations here today is the dark specter of the ever-spiraling national debt and its corollary, ever-rising inflation.

At the end of 11½ months of fiscal year 1971, our Nation has gone $30 billion more into the red. The inevitable result of this massive deficit has been more inflation, as the latest statistics have also plainly and tragically shown.

Yet, by raising the costs of welfare by nearly $4 billion with title IV, we will add that much more to the debt and fires of inflation will be that much hotter. In fact, the $2,400 basic assistance level could be made totally inadequate by the very inflationary effects of this bill. This in turn would raise the cry for us to raise the ante and add that much more to inflation.

Given this debt and inflation picture that is so ominous, can we really afford a program that rewards idleness when jobs await the willing hand? Can we afford to approve a costly program when we do not even know if it will work? Can we afford the intangible cost of generating a psychology of "Uncle Sam is my keeper?"

Mr. Chairman, I submit that we can afford none of these things and I urge each of my colleagues to vote against inclusion of title IV in this bill.

Mr. CORMAN. Mr. Chairman, I yield 5 minutes to the gentleman from New York (Mr. KOCH).

(Mr. KOCH asked and was given permission to revise and extend his remarks.)

Mr. KOCH. Mr. Chairman, H.R. 1 has been debated on this floor for about 8 hours, and I have listened very attentively to that debate. My decision on title IV of that bill—the family assistance plan—has not been an easy one. Many of the attractive provisions contained in the bill which passed the House last year have been removed or weakened. These and other deficiencies have been pointed out by a number of my constituents and by groups interested in improving the bill.

The debate on this bill has produced an unusual crossing of political and philosophical lines. Among the supporters of the bill are Common Cause, the AFL–CIO, the League of Women Voters, and Mitchell Ginsberg, former administrator of the Human Resources Administration of New York City. In opposition are the National Welfare Rights Organization, the American Conservative Union, the U.S. Chamber of Commerce, and the Americans for Democratic Action.

The supporters are in accord as to why they support the bill. They recognize its deficiencies, and yet they have concluded that the best way to remedy those deficiencies is to pass this bill and to seek to improve it in the House-Senate conference where provisions which the Senate might pass to increase its benefits might prevail. They also realize that if title IV of this bill is not passed, the Senate will have nothing to improve upon. They, and I, would much prefer that, when a conference committee meets on this bill, it be negotiating a compromise between a $2,400 House bill and a hopefully better Senate bill, rather than between a Senate bill and nothing.

The distinguished chairman of the Ways and Means Committee pointed out yesterday that—

> Title IV concentrates on bringing help to the poorest of the poor, bringing the lowest payment levels up to the minimum Federal standard.

Those of us who lament the inadequacy of this bill must acknowledge that it does at least what the chairman suggests: It establishes a minimum benefit level; it substantially aids those who are worst off under the present system; and it becomes the base upon which to build.

Included among those who seek the defeat of title IV are those who oppose the entire concept of welfare. I dismiss their argument, since I beileve that we must provide for those who for legitimate reasons cannot work to support themselves.

The more difficult argument to deal with is that made by those who oppose the bill because of its admitted inadequacies. I recognize the bill's deficiences, and I am outlining below those areas of title IV which I feel need special remedial attention.

Those of us who wish to strengthen the bill voted yesterday against the closed rule. If that effort had been successful, amendments from the floor would have been permitted. Unfortunately, we lost that fight by a vote of 200 to 172.

Those who want the bill defeated because of its deficiencies believe that time will ultimately cause pressures to build which will culminate in a better bill next year or the year thereafter. This is a matter of judgment, and, based on my experience in this House, I disagree with that conclusion. I think we need only look at what has happened to the family assistance plan in the year that has passed since it was last approved by the House. I also believe that during the time that a new bill is being formulated, millions of children and their parents who would have received coverage under this bill will needlessly be denied benefits.

In passing this bill and in noting our objections, we are making it clear to our colleagues in the Senate that we do not look upon this bill as adequate, and that we will welcome those amendments and additions to the bill which will strengthen it. It is for that reason that I am today voting for the family assistance plan and offering my suggestions as to the improvements in it which I would welcome and support.

I am pleased that the committee was able to add to the bill a provision which I initiated providing that any person addicted to narcotics who receives welfare as a result of that disability, must undergo treatment. Last month there were an estimated 18,000 persons on welfare in New York City who are drug addicts, and very few are receiving treatment, because of a lack of facilities. Under H.R. 1, the Secretaries of Labor and Health, Education, and Welfare would be required to provide for the monitoring and testing of drug addicts and alcoholics in the Federal benefits program. And most important, the Secretary of Health, Education, and Welfare is required to contract for or provide adequate drug therapy treatment for these people.

I am also pleased that the committee incorporated into H.R. 1 another of my proposals: To raise the income tax deduction allowed for child care. The committee has increased the child care deduction for one child from $600 to $750, for two children from $900 to $1,125, and for three or more children to $1,500. The committee also raised the income limitation for persons claiming these deductions from $600 to $12,000. While I am delighted that these increases were in-

cluded in H.R. 1 by the committee, I shall continue to press for larger deductions which more closely reflect the actual expenses in caring for a child or dependent. I also support the entire removal of the income limitation now in the bill, since under H.R. 1 it discriminates against families: Married couples are the only ones subject to this test; widows, widowers, and divorcees supporting dependents are not.

I also want to associate myself with the additional views on H.R. 1 included in the committee report and authored by Messrs. CAREY, VANIK, GREEN, and CORMAN. These views cogently point out the weaknesses in the bill, in both the social security and medicare sections, and in title IV.

I would also like to add my own comments on the following sections of title IV:

First. Benefit level: Although the $2,400 represents an increase in benefits for recipients in the poorest States, it does not realistically reflect the amount needed to provide necessities for a family of four and is nearly $1,500 below the Government-defined national poverty level. I favor a complete Federal takeover of the welfare system, with a benefit level reflecting both the standard of need and the varying economic conditions in different parts of the United States.

Second. Employment opportunities: The Columbia Center on Social Welfare Policy and Law pointed out that the opportunities for families section of the bill, in spite of its promise of new jobs, still will not meet the needs of all those who seek and need work. To quote from the center's report on H.R. 1:

> The Administration estimates that there will be 2.6 million families with persons registering for employment services. The bill provides for 412,000 training and job placement slots, 200,000 public service employment slots, and 187,000 slots now in the Work Incentive Program under AFDC. This is a total of 799,000 placements, leaving 1.8 million either employed, placed in vocational rehabilitation or drug treatment, or unplaceable. Only 75,000 slots are budgeted for upgrading the employability of those in low paying jobs. The Committee on Ways and Means offers no estimate of how many unemployed registrants will be available for the 799,000 placement slots.
>
> Public service employment jobs are to be used to place those without jobs or training programs, for a limited time only. Funding is available for such placements for up to 3 years, after which the recipient must be hired as a regular employee of the agency where he is placed, or dropped from the program. § 2114(c).

As the report points out further:

> No work requirement can erase the lack of effective training programs and worthwhile jobs available to the poor.

If we insist that every person who can feasibly do so find a job, we must also be sure that there are available jobs to be found.

Third. Legal and constitutional rights: Recent Supreme Court decisions which established certain rights of welfare recipients are ignored by this bill. Shapiro against Thompson prevented States from establishing arbitrary residency requirements for welfare recipients, yet H.R. 1 reinstates those requirements. Goldberg against Kelly provided that a recipient's benefits must continue while a hearing on eligibility was being conducted. H.R. 1 would cut off a recipient's benefits first, then conduct the hearing. These portions of the bill will encourage actions which have already been ruled unconstitutional and will force recipients to go to court again to have them struck down.

Under H.R. 1, the head of a family who attends college cannot receive benefits. This provision is undoubtedly aimed at the well-publicized college students who have been proudly flaunting the system and applying for welfare and food stamps. However, in attempting to deal with these people, the bill has struck a brutal blow to the thousands on welfare who are attending college in the desperate hope of improving their education and earning capacity. The controlling provision should be rewritten so as to distinguish between those who abuse the system and those who are trying to use it to free themselves from dependency.

I hope that these suggestions will receive the careful attention of the Senate and that we may look forward to their implementation by that body.

Mr. CORMAN. Mr. Chairman, I yield 4 minutes to the gentlewoman from New York (Mrs. CHISHOLM).

Mrs. CHISHOLM. Mr. Chairman, I have been waiting patiently all day in order to get a few remarks in the RECORD. I want to say to you first that I do not intend to talk about the technical or monetary aspects of this bill because it is a known fact that the U.S. Congress from time to time is able to find money for all kinds of purposes other than for the conservation and preservation of the most important resource that this Nation has—and that is its families and its children.

Let me speak, if you will, of man's inhumanity to man—man's inhumanity to the man or woman who happens to be poor, disillusioned, and dejected and has been relatively helpless and powerless in this society.

Let me speak of the 70 percent or more of the AFDC families in this country whose male members have been the victims of this society for so long, with unequal opportunities for education, housing and employment. This is precisely the reason we find ourselves here today in this Congress trying to make a decision as to what is going to happen in the future.

If there is an AFDC program and an overall welfare program it is because—and I have not heard this in all of the time I have been sitting in this Chamber anybody making mention of this fact—the reason we are confronted with this problem is because of a society that has not permitted people of a certain ethnic origin primarily to become proud, self-sustaining citizens in this country so that they can be productive. Let us make sure that we get that on the record. One gets the impression here that there is an inordinate number of people who want to get on welfare and who desire nothing else than to get money for nothing.

Let us be truthful about what is happening.

We speak of certain incentives. I want to talk very briefly about these incentives. We are talking of trying to get people off the welfare rolls so that they can make their contribution to this society. Yet, on the otherhand, we have no money for these women—women who are acquiring a higher education in order to be able to get off the welfare rolls eventually and be self-sustaining members of this society and to take care of their families.

Where is the incentive in this bill for those women? Because, as I read the bill, and it is a voluminous bill, it means that in many instances all assistance will be lost. Once again these women will be right back on the welfare rolls. It is a vicious cycle.

We are talking about able bodied men going out to secure employment—men who have been getting welfare for quite some time and it is necessary now for them to go out to work.

In the bill there is nothing that says anything about a minimum Federal wage level at least of $1.60 an hour. People are getting up on this floor and saying: Well, they should be glad for anything. That has always been the attitude toward the poor and the deprived in this country—they should be glad for anything.

If we are talking of giving dignity to people in a nation—if we are talking of giving these people an opportunity to make the kind of income where they will not have to go on welfare and not have to be sustained on welfare benefits, why don't we put in the bill, if you will, at least a Federal minimum of $1.60 an hour? Multiply that $1.60 an hour by 40 hours for a week and you will see what they are getting in these times of rising costs and high inflation—only $64.

There is also talk in the bill for child care centers. Of course, we know that you cannot talk about any major welfare proposal unless we do talk about child care centers because of the large AFDC program. But do you know that $2 billion would only take care of 1¼ million children who receive AFDC benefits at $1,600 per year? In this bill, this child care appropriation is merely tokenism. If we are to have a meaningful kind of a program, we have got to come up with the moneys that are very, very necessary to carry on this program.

In conclusion, I just want to say that for a number of years I have known many, many black men who were trained, men who had college degrees and wanted to be self-sustaining supporters of their families. Because of the color of their skin and their high visibility, in the various employment offices of this Nation, they were not able to secure jobs that were commensurate with their education. Yet, all of us say that education is the key. The key to what? I think that we must come out from behind our masks and realize that the reason we have so many black women heading up welfare families in this Nation is due to the fact that their men never had a chance.

Mr. CORMAN. Mr. Chairman, I yield whatever time he may require to the gentleman from Iowa (Mr. CULVER).

(Mr. CULVER asked and was given

permission to revise and extend his remarks at this point in the RECORD.)

Mr. CULVER. Mr. Chairman, before us today we have one of the most important pieces of legislation in a decade: in one bill we are considering a revolutionary reform of the welfare system; a major overhaul of social security; the repeal and reformulation of assistance to the aged, disabled and blind; and a major revamping of medicare and medicaid. But instead of allowing for full and free discussion with an opportunity to reshape and mold these issues as the entire House sees fit, we are constrained under a closed rule with no opportunity for amendment, with no chance to modify those sections we think unwise. Certainly no questions so vital as these should be settled exclusively within a particular committee, so that the other 410 Members of the House have no input but a simple "yea" or "nay."

Particularly disturbing about this procedure is that in this instance a basically sound reform of programs affecting the elderly is laden down with unnecessary restrictions. Iowa's senior citizens have seen how several of these provisions have burdened them personally in just the past week.

Earlier this year Congress enacted a 10-percent social security increase with the intent of lessening the burdens of inflation. However, some States—and Iowa unfortunately was one of them—used this increase as an opportunity to cut other elderly assistance programs, to take the recipients' increase and put it in the State treasury. One example that illustrates the inequity is of Mrs. Birdie Oliphant, a 76-year-old widow from Cedar Rapids in my district, whose $11 increase in social security benefits raised her income just enough so that she no longer was eligible for $60 of State old-age assistance. The net result is a $50 loss. Mrs. Oliphant accurately described the situation when she said:

> If someone can tell me how you can run a house, keep it up, pay groceries, buy all this medicine and pay property taxes on $120 a month, I'd like to know about it.

Mrs. Oliphant's situation is tragic in itself, but to it we must add the similar desperate situations of many of the other 23,000 Iowa senior citizens on old-age assistance. Certainly, this bill should be amended to prohibit a State from cutting old-age assistance benefits when social security payments are raised.

A second amendment that should be made to this bill would cure a quirk in the law that denies Federal old-age assistance to some of those most in need, those in public nursing homes. Iowa's law, modeled after the Federal one, contains a similar unjustifiable prohibition on State aid with the end result that persons in public nursing homes are not eligible for any form of old-age assistance.

This restriction is clearly an antiquated provision left over from the creation of the elderly assistance programs in the 1930's. Its purpose was to avoid using Federal funds to perpetuate the "county poor farm." County nursing homes achieve that purpose by providing a clean, livable environment with attendant medical supervision. It certainly makes sense for the State and Federal governments to extend assistance to public, nonprofit nursing homes, especially when the alternative is, as it is in Dubuque and elsewhere in Iowa, that most of the country's impoverished cannot get into the county nursing home. As a result, the needy older persons are being sent as far as 110 miles away to private homes where there is no restriction on public assistance funds. Meanwhile, nearly half the beds in the Dubuque home are empty.

Many other provisions of the basically sound elderly sections in this bill need improvement:

First. The deductible under the supplementary medical insurance for the elderly is raised by 20 percent;

Second. A decrease in Federal matching after the first 60 days of care in a hospital;

Third. A possible reduction in Federal funds after the first 60 days of care in a skilled nursing home.

In most cases, the States will not deny these services to the medically indigent, but will have to assume the costs themselves out of their already overextended assistance funds.

Fourth. Medicare recipients would have to pay more per day the longer they stayed in a nursing home, even though the longer a person is ill, the lower his ability to pay becomes;

Fifth. Services covered by medicaid such as eyeglasses, dental work, and outpatient drugs could be eliminated by a State;

Sixth. The present requirement that nursing homes in rural areas must have at least one full-time registered nurse is dropped;

Seventh. The lack of Federal matching funds for States wishing to pay more in old-age assistance than the Federal floor;

Eighth. Instructions to the Secretary of Health, Education, and Welfare to develop cost differentials between various types of institutions instead of between the type of care offered patients.

Mr. Speaker, each of these limitations in the bill require at least full discussion and debate in the House before they are enacted. Some may think such provisions are necessary, but I feel that given the chance, the House would reject them in favor of more equitable treatment for the Nation's elderly.

Mr. CORMAN. Mr. Chairman, I yield 4 minutes to the gentleman from New York (Mr. CAREY).

(Mr. CAREY of New York asked and was given permission to revise and extend his remarks.)

Mr. CAREY of New York. Mr. Chairman and Members of the Committee, I rise at this time to indicate my support for title IV of the bill and for the bill. I wish to pay my respects to the members of this committee on which I have been serving for the last 7 months, and especially to the chairman, without whose draftsmanship and craftsmanship we would not have before us this very extensive vehicle for social improvement, social improvement of the most needy citizens in the United States, no matter where they may be found.

So much attention has been given to the alleged inadequacies of the bill on the one hand by those who oppose it for one reason, and the alleged excesses of the bill by those who oppose it for another that we tend to lose sight, I think, of the tremendous effort made to cope with so many problems at one time, whether it be the aged, the blind the disabled or those in deep need of the family assistance program.

I would not be here endorsing this bill or speaking in favor of it if I did not have a wholehearted and sincere conviction that this program, no matter how you may criticize it, is eminently superior in almost every regard to the present system. I admire so much my colleague from New York, the distinguished gentlewoman from the adjoining district, for her very devout commitment to humanity and man's humanity to man. But I have to ask her and ask my other colleagues who have joined with her in the hope that they can do something for the black people why it is essential that you reject title IV, continue to bind yourselves to the archaic, antiquated, ineffective white man's welfare system that was handed down to the poor of this country back in the 1930's, before you had a voice, before you could speak for yourself. I discard as absolutely useless the present system. It has dissatisfied nearly everyone in it. It has turned the taxpayers of the country against people who are not their enemies, people who are suffering. We must get rid of the present system.

I labored zealously on the Education and Labor Committee and tried to find reasons for the causes of poverty and ways to relieve the symptoms through education. We passed the Elementary and Secondary Education Act. I remember those days. There was considerable doubt that we had found the right vehicle. Some people thought the time for Federal aid to education had come but that we did not have a perfect program and we should wait for one. There was questions from others about going too far in Federal subvention to our schools.

But we had confidence in the committee. In 1965 we passed that legislation. Few dissenting voices today are raised against that legislation because we continued to improve it. In this program as in education we must begin somewhere. Certainly we cannot condone continued existence of the present system.

It has outlived its usefulness. It is not reaching the mark, and it is costing too much for what it does achieve. It does not satisfy anyone.

What has the committee done? The committee has sought advice from every source possible. The committee has put together a package. I wish I had time to point out all of the things in the package.

I did a constructive thing, I believe, when I put in the committee report those parts of the bill which I believe need improvement, as specified along with the views of others who joined me in signing supplementary views. Those views are constructive, and despite these imperfections, on balance I support this title IV.

I think that every Member of the

House should be concerned with this program, and every member of this committee should be deeply concerned with this program. We ought to point out alternatives if we are not satisfied in major or minor part with this bill.

If a Member does not like the committee bill, or especially a Member does not like title IV, he should advance an alternative at the risk of being recorded as content with the present system.

I believe the record will show that before our committee, aside from this proposal, which was worked on and prepared by the entire committee, and which was passed out of that committee by an overwhelming margin, with only three votes against it, aside from this solution there was little else to consider. Where are the other solutions which we would substitute for title IV? The Gentleman from Oregon (Mr. ULLMAN) made a magnificent contribution in analyzing this problem, but his solution goes only part way and does nothing for those presently on AFDC. It only deals with the labor categories of eligibility.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. CORMAN. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. CAREY of New York. Mr. Chairman, I have a bill before the committee which would call for the eventual taking over of the entire welfare system. The gentleman from Minnesota (Mr. FRASER) has a similar proposal.

Where are the other plans that would be a substitute for this plan? One cannot beat something with nothing. All those who object to this plan should be asked, "Where is the comprehensive alternative you would have us vote for?" We have only this or the present system.

There are many details in this bill which have escaped attention. There are very needful reforms in this bill which would go down the drain if we should reject title IV.

The gentleman from New York (Mr. KOCH) and I labored long, and I believe effectively, to put into this program, into the welfare program, the first Federal instrumentality to deal with narcotics. Narcotics is a serious problem in New York City, as is welfare, because there are so many people on welfare who are there because they cannot work, because they are addicted to drugs or alcohol. In this program for the first time we would bind the Federal Government to examine this problem, to provide some feasible kind of narcotics and alcoholic service and if they are addicted to provide rehabilitation service. That was never had in a Federal welfare program before, but it is there today. If you reject title IV, you reject that.

No big city representative should reject any attempt to cope with the drug and alcohol problem. That is what they would do if they vote against title IV.

There is a cardinal principle we have been striving for in the liberal area, in the reform area, and that is to try to have the Federal Government agree, above all, that the welfare program is a Federal responsibility. That is a cardinal principle we have tried to establish. It is not a stepping stone; it is a milestone.

This bill says the Federal Government is going to move in and establish the first uniform standards of eligibility, which we have not had. It means the Federal Government is going to step in and set a floor—certainly not a floor that is going to guarantee any kind of sustained enjoyment of life, but a floor that is going to take about 11 million people out of misery. If you kill title IV, you sentence those 11 million people to continued misery, wherever they may be found, because you deprive them of the essential sustenance of the $2,400, versus the $900 or less payment now in effect. I am not going to abandon those people and I urge you to consider their status before we vote.

The CHAIRMAN. The time of the gentleman from New York has again expired.

Mr. MILLS of Arkansas. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. CAREY of New York. These are the alternatives. Reject this program and you reject the principle of Federal responsibility. In effect, you leave millions of people in the misery in which they are found today. That cannot be a responsible vote.

As the distinguished majority whip said, those who oppose this program from one side or another are curiously divided. We must not let the poor suffer as a result of an irreconcilable division between those who think we are too generous and those who believe we are too parsimonious.

How do we reconcile the differences? Let us enact title IV in this House. Let us move title IV forward. Let us move the entire bill. Let the other body work its will. Let this become a democratic process. Do not "shortstop" it by saying, "If we contrive to kill title IV then the Congress may come up with a really good alternative in place of title IV."

Where is the alternative? No plan has been submitted to our committee. We have asked if there is the author of a bill in this committee today that is better than this bill, if he be present let him come forth now and give his alternative to title IV. It is not before us. You cannot ask the country to accept nothing simply because you are not satisfied with every detail of a 600-page bill. This bill will go forward in the direction of equitable treatment for more people than any piece of legislation it has been my privilege to support since I have been here.

I hope you will not reject it. This is a decent and constructive effort to begin to reverse the process of indignity and debilitating dependency which has been the result of the failure of the present program. This alternative that we bring to you today is the best that our minds could contrive. It could be improved, and other minds will seek to do so. But if we turn our backs on it and say no, title IV does not satisfy us in every particular and therefore we will let it go down the drain and we will stay with the present system, then I remind you that the State legislatures will not. A vote to reject title IV is an endorsement, I say to my friends of a liberal persuasion, of the action of your State legislatures who will be free to reduce this program and to reduce the sustenance of the people in the future who are involved in this program. If you do not want to do this, then vote for Title IV.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. MILLS. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. CAREY of New York. I am reminded of a Ciceronian quotation which I would quote to you today. Marcus Cicero said that—

> There were those who would rather be wrong with Plato than be right with the Pythagoreans.

I do not claim the members of the Committee on Ways and Means are Pythagoreans, but we think we are right. We have worked hard to be right. If you would rather be wrong and independent, then vote to stick with the present unfair system, but you must remember that you will be leaving millions of dependent people in greater misery.

This program, which goes in the direction of dignity, at least gives them a chance to work. If you vote for this, we have the alternative to build a better program and help those who are not able to help themselves. That is what this program does and I urge you to give the program a vote to give the poor a chance.

(Mr. BRASCO asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. BRASCO. Mr. Chairman, today the House has an opportunity to advance America down the road toward a vital goal, reform of our welfare system. Everywhere across the Nation, welfare emerges as a problem whose solution cannot be evaded or delayed any longer. We have no more time.

Millions of poor Americans are emerging from the shadows, seeking relief. Private charities long ago failed to meet this challenge. Local resources have long since dried up. State budgets are visibly cracking under the burden of these poor people and their needs. Only Federal intervention, in the form of welfare reform, can and will begin to stem the tide and cope with our problem. That is the decision we must make today.

There are those who sincerely subscribe to the 19th century view of welfare. It is their belief that there is something wrong with anyone who must seek public relief. With all due respect, I say they are utterly wrong. Most of the people on welfare today are innocent victims of the structures of an ever-changing industrial society. Many of them are citizens who have always been eligible for and in need of such aid, yet have never before known how to seek it. Now such information is available tc them, and they seek to avail themselves of it. No one can blame them for this.

Society burdens them heavily. Most are dependent children and those utterly unable to work. A nation of 210 million people naturally has a goodly number of such citizens. Public assistance prevents them from starving. Without such help, their plight would make us the scandal of the world's developed nations. Further, a good many are able to get on their feet as a result of such assistance. And it is

well to bear in mind the fact that fluctuations in our economy have pushed a good many Americans over the borderline of poverty to a point where they must seek such help.

Presently, our welfare system and its rules are the most tangled hodgepodge imaginable. They have become a nightmare for recipients, administrators, communities, and lawmakers. Uniform eligibility and administration are vital. Federal financing is imperative. None of these factors are negotiable. Each must be enacted. The measure we are to vote on today will do just that. The bill encourages recipients to work. It provides relief to State and local structures which have been carrying this growing burden up to now. The local taxpayer would find some fiscal relief through adoption of such a measure. It can be said that even though the bill in its present form leaves much to be desired, it is a foundation. Upon such a floor, we can bring into being further reforms in the future.

We would obtain a federally guaranteed income floor, which, although far below many estimates of what is required, would at least make a beginning toward reform. Millions of people presently barely existing in a good many States would have their benefits upgraded.

Mr. Chairman, this bill presents many Members with a cruel dilemma. It pains me to have to differ in this vote with many of my good friends here. Yet it is patently obvious that we must alleviate suffering, upgrade the lives of many of our fellow citizens, standardize many different programs, and ease the agony of many States, counties, and cities. In particular, my home city of New York and home State of New York demand Federal assumption of much of this load. For all these reasons, I support this first major step to unravel this situation.

Finally, it is vital to bring to the fore the most compelling reason. Just as some people require public assistance, so Government must consider the well-being of the rest of the people. The average middle-class homeowner and renter is presently carrying the heaviest part of the welfare financing load. Inflation is eating these people up alive. They have protested in vain up until now. Their State and local authorities have struggled valiantly. As of today, they have no further strength left with which to fight the battle. The average taxpayer has little capital left with which to finance the growing welfare burden. It is impossible to wring further contributions from these working people. The situation leaves us no choice than to accept an imperfect measure.

Mr. MILLS of Arkansas. Mr. Chairman, I yield to the gentleman from New York (Mr. STRATTON).

(Mr. STRATTON asked and was given permission to revise and extend his remarks.)

Mr. STRATTON. Mr. Chairman, there are two aspects of this very massive, complex legislation that concern me, and I should like to comment on them briefly.

The first concerns the procedures for handling part B of medicare. Earlier this year I discovered that the Department of HEW had inaugurated certain administrative changes in the implementation of the physicians' services portion of medicare which produced the net result of shortchanging our senior citizens who have enrolled under this program. Under the law those enrollees are entitled to receive and have expected to receive from the medicare program 80 percent of the costs of their doctors' bills, following the deduction of the initial $50 deductible feature per year.

Instead, as a result of administrative actions, I discovered that enrollees in most cases are now receiving only 50 percent of these bills, instead of 80 percent.

I submitted to the Ways and Means Committee earlier this year a program for correcting these inequities and for notifying all medicare enrollees in the future and in advance as to just how much of their doctors' bills they could expect medicare to pick up. Unfortunately, the committee did not act favorably on my plan. Instead this bill actually increases the amount which medicare enrollees must pay for their medical expenses, through a much larger deductible feature.

In fact, Mr. Chairman, this action in this bill by the committee makes it clear that the hope which was held out in 1965 that medicare would meet all the hospital and medical needs of our senior citizens has simply not materialized. Indeed, I am advised that under this new bill, H.R. 1, our senior citizens will be paying more money for their medical expenses than they had to pay 6 years ago before the medicare program was ever enacted into law.

Incidentally, Mr. Chairman, it might be instructive for us to realize, in connection with other provisions of this same bill, that although we told our people 6 years ago that we had a legislative program that would pay all their medical bills for them, they are worse off today than they were before that "free" medical program was enacted.

The only bright spot, Mr. Chairman, is that the committee bill does contain a provision directing that a survey of these doctors' bills under the medicare program be conducted, with a report to be submitted to Congress, by July 1972.

This action was taken, as I understand it, in response to my proposals on this subject. I am hopeful that the results of this survey will confirm what I have already reported about the need to bring the reality of part B of medicare into line with the expected and advertised performance of that program. Maybe we can get some action in 1972 or 1973.

The other aspect of this bill that gives me great concern, Mr. Chairman, is title IV, which institutes the so-called family assistance plan or the welfare reform proposal, and which in actual fact institutes the guaranteed annual income in the United States for the first time.

Of course, I fully recognize that there are grave deficiencies in our present welfare program, and some very substantial changes need to be made. But I have serious doubts as to whether title IV is the best answer to our problems. And even more, I am disturbed that this proposal is being put before us on a take-it-or-leave-it basis, without any opportunity for the House to work its will on this very vital legislation and to consider various alternatives before making a final determination.

The thing that disturbs me most about title IV is that what is billed as a "reform" of welfare, what is designed to end the mounting costs of welfare, and what, we are led to believe, will also cut the steadily mounting welfare rolls, actually will increase our welfare costs by 100 percent, or an additional $10 billion, and will also increase, not decrease, the number of people on welfare, also by 100 percent or another 10 million persons.

Surely we must wonder whether increasing costs and welfare rolls in this way is really the best way to reduce both of them.

I believe the proposal offered by the gentleman from Oregon (Mr. ULLMAN) and contained in H.R. 6004, offers a much more suitable alternative to title IV. The Ullman proposal would establish a genuine "work-fare" program. Instead of inaugurating an open-ended program of a guaranteed annual income, with its unfathomable costs, it would concentrate on finding jobs for all the people under the poverty level who can work, and then putting them into these jobs. This is much more than title IV of H.R. 1 would do.

In addition, the Ullman program also sets up a detailed system for providing day care training for children of those below the poverty level. This, too, is not really done in H.R. 1, although lip service is paid to the concept. Yet adequate day care is vital to give mothers who desire to work the opportunity to work; and it is equally vital in getting the children themselves out of the vicious cycle of poverty by providing more effective care and training.

Therefore, Mr. Chairman, I shall support the motion to strike title IV from H.R. 1 because I believe this House ought to have a chance to consider welfare reform separately, and because I believe we ought to have a chance to support proposals like the Ullman bill in preference to title IV.

I well remember, several years ago, when the idea of a guaranteed annual income was first proposed, that the late, brilliant junior Senator from our State of New York, Senator ROBERT F. KENNEDY, said that he opposed such a guaranteed annual income, and said instead that he believed we ought to seek to create jobs and job opportunities for our Nation's poor. I agree with him. This is the road we really ought to go, and for that reason shall vote to strike title IV and hope we can substitute the Ullman proposal.

If that motion is not successful, then I shall support H.R. 1 and shall vote to send it on to the Senate. Because the many improvements in social security which are admittedly contained elsewhere in H.R. 1 should be enacted, I believe, and I would not want them delayed merely because of my strong reservations on the wisdom of title IV.

Mr. MILLS of Arkansas. Mr. Chairman, I yield to the gentleman from New York (Mr. KOCH).

(Mr. KOCH asked and was given per-

mission to revise and extend his remarks.)

Mr. KOCH. Mr. Chairman, I would like to ask the distinguished chairman of the Committee on Ways and Means about the effects of the so-called hold-harmless provision in the bill as it affects cities. Am I correct in understanding that the hold-harmless provision will apply to cities?

Mr. MILLS of Arkansas. Mr. Chairman, let me assure the gentleman from New York City that the hold-harmless provision would most definitely apply to the cities in those cases where cities are now involved in financing welfare costs. As the gentleman knows, welfare costs in New York City are paid one-half by the Federal Government, one-quarter by the State government, and one-quarter by the city of New York. Therefore, any savings to the State of New York due to the hold-harmless provision would be shared between the State and the cities and counties of New York State. I would estimate that, out of the total savings of $188 million for New York State in fiscal year 1973, New York City would receive about $70 million in fiscal relief. New York City's share is large because the bulk of welfare recipients are there. These savings would be even larger in later years—rising to about $126 million in fiscal year 1977.

Mr. KOCH. Mr. Chairman, I very much appreciate that statement by the manager of the bill because I wanted the citizens of New York to understand that there is substantial fiscal relief for the city of New York in the public assistance provisions of H.R. 1.

(Mr. MILLS of Arkansas asked and was given permission to revise and extend his remarks.)

Mr. MILLS of Arkansas. Mr. Chairman, let me assure the gentleman from New York that the hold-harmless provision would most definitely apply to the cities in those cases where cities are now involved in financing welfare costs.

Mr. Chairman, I yield to the gentleman from West Virginia (Mr. KEE).

(Mr. KEE asked and was given permission to revise and extend his remarks.)

Mr. KEE. Mr. Chairman, I commend the gentleman and the Ways and Means Committee for including in the bill a provision extending the medicare program to cover persons who are disabled. I would like to inquire, however, concerning the effect of this provision on beneficiaries of the black lung program.

Mr. MILLS of Arkansas. Mr. Chairman, under the provisions of the bill to which the gentleman from West Virginia refers, those persons who are black lung beneficiaries and also entitled to social security disability benefits would be entitled to the protection of the medicare program after they have been drawing disability insurance benefits for 2 years. The committee limited medicare coverage to social security and railroad retirement disability beneficiaries for jurisdictional reasons—the committee has legislative jurisdiction over these two groups so far as the medicare program is concerned. It does not have jurisdiction over the legislation authorizing black lung payments or other existing legislation providing for payment of benefits to disabled individuals. Of course, it is necessary that an individual be insured under the social security or railroad retirement system in order to be eligible for medicare protection under existing law, except for the older persons who were blanketed under the program when it was enacted. In this regard, disabled persons are treated in the same manner as aged persons.

(Mr. MILLS of Arkansas asked and was given permission to revise and extend his remarks.)

Mr. MILLS of Arkansas. Mr. Chairman, a few moments ago the gentleman from Indiana (Mr. BRADEMAS) obtained unanimous consent to revise and extend his remarks, but we overlooked the fact that our colloquy could not be extended in the RECORD under the rules. Therefore, Mr. Chairman, I am going to ask to read the questions which the gentleman from Indiana (Mr. BRADEMAS) would have asked of me so that it may be in the RECORD and my responses to those questions.

Mr. BRADEMAS. Mr. Chairman, I should like to take the liberty at this point in the debate of raising a question with the distinguished chairman of the Committee on Ways and Means. Yesterday, the Select Education Subcommittee, which I have the honor to chair, of the Committee on Education and Labor, unanimously and favorably reported H.R. 6748, the comprehensive child development bill. This bill would substantially expand the availability of child development programs, including quality day care programs for children in the United States.

Mr. MILLS of Arkansas. Mr. Chairman, I have been watching that legislation with great interest. It affords a fine example of cooperation between committees to assure that legislation developed by different committees dealing with different aspects of the same problem supplements rather than duplicates or overlaps. Would the gentleman from Indiana agree that the legislation his subcommittee has reported would in no way restrict the child care efforts under H.R. 1?

Mr. BRADEMAS. Mr. Chairman, the gentleman is correct. Indeed, the bill we have reported to the full Education and Labor Committee would extend and make more effective those provisions of H.R. 1 which relate to child services and would not in any way restrict them. To the extent that more and better child care facilities and child development programs are provided under H.R. 6748, not only more child services but better developmental services will be available to the many children with whom your committee is concerned in the bill under consideration today. The legislation which we have been writing in our subcommittee is directed not only toward providing a place where children are looked after while a mother works or is otherwise unable to care for them, but our bill emphasizes the development of children and the additional services required for their development.

Mr. MILLS of Arkansas. Would the bill to which the gentleman from Indiana refers in any way restrict the Departments of Labor and Health, Education, and Welfare in obtaining the child care services necessary to meet the requirements of their programs?

Mr. BRADEMAS. Not in any way. I am sure that these Departments will want to use the best quality care they can obtain and such care will hopefully be provided in the facilities and child development programs authorized by our bill. However, there is nothing in our bill that would restrict the use or provision of other facilities when programs are not available under the Child Development Act, or when the capacity or location of facilities cannot meet the needs of children. We should, of course, seek wherever possible, to prevent the needless duplication of programs.

Mr. MILLS of Arkansas. That is certainly in accord with the intent of H.R. 1. We want high quality care used whenever possible and hope there is enough of it available for every child who needs it. However, we have an overriding need to use high quality care, wherever it can be found, to assure that mothers can receive training and placement in jobs.

Mr. BRADEMAS. The objectives of the two bills are wholly consistent and complementary. I thank the gentleman.

Mr. MILLS of Arkansas. Mr. Chairman, I yield such time as he may consume to the gentleman from Texas (Mr. POAGE).

(Mr. POAGE asked and was given permission to revise and extend his remarks.)

Mr. POAGE. I thank the chairman for yielding to me at this point for the purpose of clarifying a matter which arose in the district which it is my honor to represent.

Mr. Chairman, last week a hospital in my district wrote me relative to an overpayment which the Social Security Administration insisted they had made to the hospital thus resulting in the hospital failing to bill the patient for enough. The patient was hospitalized in 1968, at which time the overpayment by Social Security occurred. However, it was not until 1971, nearly 3 years thereafter, that the Social Security Administration made demand on the hospital for the alleged overpayment. By this time the patient had died and administration on his estate had been closed, and there was no one to pay the amount which Social Security had originally accepted as its obligation.

The amount of funds involved was not large, and through the efforts of your efficient staff on the Ways and Means Committee, this matter was settled.

However, the main point is still unanswered. That point is: How does a hospital or a patient ever know that he has actually closed his account? The Social Security Administration demands that a hospital submit its claim within 1 year from the date the patient is released by the hospital, and if this claim is not submitted within 1 year the hospital will lose whatever additional funds to which it might be entitled. On the other hand, the Government can and does wait 3, 4, or 5 years to insist that payments which were mutually accepted and approved are still due the agency.

I am not talking about fraud or cases where the hospital purposely submitted an excessive claim. What I am referring to is where a hospital submits a claim

and through no fault of its own is overpaid. It seems to me that the Social Security Administration should also be required to make their request for refund of the overpayment within 1 year's time.

Mr. MILLS of Arkansas. Certainly, I agree with my friend from Texas that it would be desirable and good policy for the medicare program administrators to adjust all the mistakes they have made within a year after they have been made. This is particularly so where the Government itself or its agent has made the mistake, as it did in the case of the hospital at Temple, Tex.

Mr. POAGE. I thank the gentleman.

Mr. CORMAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Ohio (Mr. SEIBERLING).

(Mr. SEIBERLING asked and was given permission to revise and extend his remarks.)

Mr. SEIBERLING. Mr. Chairman, I rise in support of H.R. 1. The Committee on Ways and Means and its very able chairman have spent a great deal of time and effort in shaping this bill, which surely must be considered a landmark piece of legislation in the field of welfare.

The bill provides important new benefits under social security, as well as a basic reform of the welfare system. Both are long overdue, and both have my strong support.

But the bill also contains, in my opinion, some very serious defects which cannot go unmentioned.

The most obvious of these are in title IV, the family assistance program proposal. First is the bill's failure to assure all welfare recipients at least the same level of benefits as they are now receiving. When President Nixon first introduced welfare reform 2 years ago, he made a pledge to America's poor that "in no cases would anyone's present level of benefits be lowered." Under H.R. 1, that pledge has been broken, as have so many other pledges to the poor, and I am hopeful that the Senate will correct this very grave deficiency.

There are other changes which I would like to see in title IV, including an increase in the minimum income to the poverty level, less rigid work requirements, better job protection and a guaranteed minimum wage. I regret that the House does not have an opportunity to amend this bill on the floor, so such improvement will have to be left to the Senate.

A defect which has received much less public attention, but which in the long run is going to mean financial hardships for the majority of lower and middle income working Americans, is the increase in the payroll tax and wage base to finance social security.

Under H.R. 1, the wage base will be increased from the present $7,800 to $10,200 by January 1, 1972, and the rate will jump over the next 6 years from the present 10.4 percent to 14.8 percent.

We operate under the common and erroneous assumption that the Social Security System is exactly like an insurance system: You pay in a certain percentage of your wages over the years, and get back a corresponding stipend upon retirement.

That, of course, is not true. The total benefits a retiree receives bear little resemblance to the total contributions he has paid in. And furthermore, with a floor under benefits, there are many who qualify to receive minimum benefits regardless of their past contributions.

As the Brookings Institution study on "Setting National Priorities—The 1972 Budget" points out, the Social Security System is "more a nearly universal system of pensions for retired and disabled workers and their survivors than an insurance system."

A second common misconception about the Social Security System is that the American worker and his employer pay equal parts of the payroll tax—under current law 5.2 percent each. Recent studies indicate, however, that the entire payroll tax really falls on wages. According to the Brookings study, "most economists agree that wages would be higher by approximately the amount of the employer's contribution if no such contribution were on the books." Therefore, under present law, the worker who earns under the taxable wage base is paying 10.4 percent of his earnings in payroll tax—not 5.2 percent.

The result, of course, is that the low- and middle-income wage earners bear the greatest proportion of the burden for supporting the social security program. And as the payroll tax increases—now to a total of 14.8 percent—these workers will be forced to pay an even more disproportionate share of their income to support others who earn more and contribute less, or who contribute nothing at all.

Under H.R. 1, for example, a factory worker who earns $200 a week is going to pay 86 percent more in payroll taxes in the next 6 years.

In fact, as early as 1973, the payroll tax payments for a one-earner family of four will be greater than the income tax payments for earnings up to $9,850, according to the Brookings study.

And as payroll taxes rise according to schedule, and as income tax rates fall in accordance with the Tax Reform Act of 1969, the low- and middle-income earners will be shouldering proportionately even more of the tax burden. As the rich reap the benefits of the tax cut, the lower and middle-income earners will be paying so much more in payroll taxes over the next few years that their supposed gain from the tax reform act will be substantially wiped out.

For a country that prides itself on a progressive tax system, we have been blind to the regressive nature of the social security payroll tax.

I would suggest that in considering this progressive bill today, we also consider a more progressive way of assuming the costs of social security benefits.

Several proposals have been made, including:

Reform of the payroll tax to take the burden off low-wage earners. This could be done by refunding the payroll taxes paid by the poor, by introducing personal exemptions into the payroll tax or be used to finance some or all of this part against income taxes.

Shift more of the burden of paying for social security onto general revenues. At present low income workers receive greater benefits relative to their past contributions than do higher income workers, whose earnings are at the taxable wage ceiling. General revenues could be used to finance some or all of this part of the social security system.

These proposals are outlined in the Brookings study which I urge all my colleagues to read and consider.

Because of the time it will take to develop legislation to correct this situation, I do not suggest we hold up approving the bill now before us. I only suggest that we must do something to make the financing of our social security-welfare system more equitable, and lessa hardship for lower and middle income Americans.

Mr. CORMAN. Mr. Chairman, I yield 4 minutes to the gentleman from Missouri (Mr. ICHORD).

(Mr. ICHORD asked and was given permission to revise and extend his remarks.)

Mr. ICHORD. Mr. Chairman and members of the committee, the gentleman from Oklahoma (Mr. STEED) advised me yesterday as follows:

> Do not make the mistake of listening to the distinguished Chairman of the Committee on Ways and Means, or you might change your vote.

I did make that mistake. I studied this bill almost all of last night, and the greater part of the morning, and I rise today in support of H.R. 1.

Mr. Chairman, one of the greatest challenges facing the American people and their elected representatives is the question of how to solve the welfare mess. If our Federal and State governments do not come up with programs that will break the welfare cycle and find ways to take people off the welfare rolls and put them on the payrolls, this society may well be devoured by a monster which was created to help and protect those in need, but now has turned on us all.

The present welfare program is an absolute failure, and if we fail to say so, we are only deceiving ourselves. The present program has operated to destroy self-respect; it has contributed to the migration of the illiterate and the untrained from the rural areas to the urban areas following some illusive dream which quickly turns into a nightmare of filth, despair, and hopelessly dependency; it has given birth to a welfare generation, bringing into being thousands of innocent children who deserve to share in the fruits of this society, but will know little joy in life and have almost no chance of really becoming a part of the American dream.

Ladies and gentlemen, we cannot stand silently by and watch this "welfare cycle" eat away like a cancer at the very structure of our society and create unnecessary suffering. There is no greater problem facing the American people, and they have intrusted us with the awesome responsibility of finding constructive solutions and alternatives. The magnitude and the seriousness of the problem becomes very clear when we focus in on what happened in the AFDC program in

the 1-year period from January 1, 1970, to December 31, 1970. During that short period the AFDC rolls increased 32.1 percent while the expenditures increased 36 percent. In the last 2 years the number of people receiving AFDC has more than doubled—from 4 million on AFDC rolls 2 years ago to 10 million people on the AFDC rolls today. We do not have to be a mathematical genius to project that we will be facing the prospects of adding 3 or 4 million people to these rolls each year if the system is not changed. There is no question that the present program has promoted welfare as a way of life—a miserable way of life for those on welfare and a dangerous way of life for those who must be concerned with paying the soaring costs involved in the present program.

H.R. 1, in my opinion, contains many deficiencies. It certainly is not a perfect bill. I feel very strongly that the committee should have placed more emphasis on "work training" which would result in actual employment as was recommended by the gentleman from Oregon (Mr. ULLMAN). In addition, I would have preferred a program which would have moved more of the responsibility for the administration of the program back to the local units of government, rather than centering the administration of the program in the Federal Government.

Mr. Chairman, in the 11 years I have served in this House, I have seen the Federal Government increase its jurisdiction over the life and affairs of the individual by what I would consider a conservative estimate of over 1,000 percent. I am also convinced that the frustration over the lack of the ability of the Federal Government to solve the problems confronting our society has increased by roughly the same percentage and the people do have good reason for their loss of confidence in the ability of the Federal Government to solve their problems. The reasons behind this movement of governmental power and direction toward Washington, and the factors which have influenced this trend toward centralization, are too numerous and complicated to enumerate at this present time. However, let me say that we must consider the sad fact that we have lost control in Congress of many of our Federal programs. Perhaps, this loss of control is due in part to the built-in bureaucracy and in part to the gigantic growth of many of these programs. It is much simpler and more accurate to say there are just too many programs—too many areas of Federal responsibility. It is humanly impossible for any Member of Congress, regardless of his ability and dedication, to be informed properly on all the issues upon which he has the responsibility of voting.

At this point, I dare say there is no Member of this House, with the exception of a few members of the Committee on Ways and Means, which is completely familiar with the complexities of H.R. 1. In view of this confusion, is it any wonder that the American Conservative Union and the National Committee on Welfare Rights have gotten into the same bed to oppose this bill? Is it any wonder that the radicals in the streets are shouting "power to the people," while reasonable and conservative minds are asking that governmental power be moved closer to the people from which government derives its right to govern and in whose interest government must rule? If we are going to solve the problems in a nation as diverse as ours, we must find a way of moving problem solving and decision-making back to the local units of government. This is why I support the concepts behind revenue sharing although I share the same opposition to the specific programs proposed by the administration as does the distinguished chairman of the Ways and Means Committee. This is also why I have great concern about whether the objectives sought by the gentleman from Arkansas in H.R. 1 will be attained.

Let me be frank to admit that I am concerned whether or not the bureaucrats in HEW and the Department of Labor can effectively and efficiently administer the program established by H.R. 1. However, I would observe that for all practical intents and purposes, the bureaucrats in HEW are already in control of the present mess. At the present time, State administrators can only act as HEW directs them. I know this from experience. To my great dismay, I discovered several years ago as a young State legislator that I could not correct a deficiency in the Missouri welfare program by State legislation, because some insignificant bureaucrat had ruled that the proposed law did not conform to the rules and regulations of HEW. Although the proposed State legislation did not conflict with the laws passed by this body, it did conflict with the rules and regulations of HEW. The deplorable state of the present programs has resulted in large measure from a division of authority and responsibility which does exist at the present time. Under the present set-up, administration is stultified and constructive change has been stymied.

H.R. 1 has the virtue of placing the authority and responsibility in the same governmental agencies, and it will leave the States free to devise and administer programs that can possibly achieve the goal which we all desire—restoring people to a useful and productive role in society and reducing the welfare rolls to a bare minimum. With the hope that H.R. 1 will be successfully administered and we are successful in achieving that goal, I cast my vote for this measure.

Mr. CORMAN. Mr. Chairman, I yield 5 minutes to the gentleman from Louisiana (Mr. WAGGONNER).

(Mr. WAGGONNER asked and was given permission to revise and extend his remarks.)

Mr. WAGGONNER. Mr. Chairman and member of the committee, as a new member of the House Committee on Ways and Means, I think I can say without reservation that our distinguished chairman and every single member of the committee has worked and honestly tried to come up with something in the way of welfare reform that would serve the needs of this country under today's conditions.

I say this not only for my distinguished chairman and every single member of the committee, but I think it needs to be said as well that the administration has been truly interested in welfare reform. Secretary Veneman and his people spent day in and day out with the committee and the social security people, Mr. Ball, the Commissioner and his people spent day in and day out trying to arrive at something that would be better than what we have now.

They recognize, and I believe every man and woman in the U.S. Congress, and I believe every human being who is cognizant of what is happening to welfare in this country believes that we need welfare reform.

Mr. Chairman, I am not here this afternoon to say to you as some do that this proposal, as embodied in H.R. 1, does not constitute welfare reform—because it does. It has many good features that I think will improve what we are doing in certain respects.

But there is a serious question about a certain aspect of it. It is this aspect which raises serious questions that concern me and this is what I want to talk to you about.

In the six terms that I have been here in the House of Representatives, I have seen welfare proposal after welfare proposal presented to us for our consideration. Such proposals for example as the poverty program. In each and every case, these proposals have been held out as panaceas for the problem. I was very much interested this afternoon as my distinguished friend from Georgia (Mr. LANDRUM) stood right here in this well and talked about this being a panacea. My thoughts went back to 1964 when the same gentleman stood in this well and made the same claim in almost the same words as to the future of the poverty program. It would reduce the need for welfare he said. He was wrong then and he is wrong now.

Now, some years later, we can judge the degree of success or failure of the poverty program. I do not know what you can conclude, but my conclusion is that it is a dismal, miserable failure and we have financed a revolution in this country with the money appropriated for the poverty program.

This program as proposed in H.R. 1 has two new family assistance programs that are worthy of us thinking about. One of them is that where there is an employable member of the family, it is to be administered by the Department of Labor and the other provides where there is no employable person in the family, this family assistance program is to be administered by the Department of Health, Education, and Welfare.

People talk about it from the standpoint of the cost. What we are doing is expensive. What we are going to do at the very outset is going to be much more expensive. It is subject to anybody's conjecture as the program develops, what the cost of the program is going to be. But we are going to increase the cost to the Federal Government from the present cost of $9.4 billion a year to an estimated $14.8 billion the first year. I do not know how good these projected figures are, but I would ask you to recall the words of the distinguished majority whip a few moments earlier here when he said that this was an opening wedge and that this would only be a starting point to do better and bigger things. What would the cost be if the minimum guarantee was

raised from $2,400 to $6,500? How could we survive?

Let us talk about the numbers of people involved. If you will look at the report, you will find some inconsistencies with some other releases and tables that have been provided from time to time. But roughly speaking, we have about 15,025,000 people under the present welfare system participating as recipients or beneficiaries. It is projected that we will initially have under H.R. 1 something like 25,503,000 people when H.R. 1 becomes law, and they will be the beneficiaries for the first year of the program. These are horseback estimates to a point. How accurate they are nobody knows. But there is some basis for them. If they are in error, I do not want you to blame HEW entirely because they told us in committee that these were the figures provided by the States themselves.

So where any error in this respect does exist, the error will have originated with the States.

My point is exactly this, and I think time will prove me right. If we add more than 10 million people initially to these welfare rolls, if we put one person out of eight in the United States immediately on welfare, what is there in the track record of the Department of Health, Education, and Welfare and the Department of Labor to make you believe that those Departments will be able to train and find jobs for all these additional people, much less just the 15 million people we presently have on the welfare rolls?

Well, I say there is no reason to believe that they will or can. I am not questioning the desire of the administration. I am not questioning the desire of the Secretaries of Health, Education, and Welfare and the Secretaries of Labor to want to do these things. But I am saying to you that this task will be so big that they do not have the capability and they do not have the personnnel to put into the field to do this job. They will not and cannot do the job.

My real criticism of this proposal is that there are no work requirements. Last year the word "suitable" was included as a prerequisite, requiring somebody to take a job. If you will open your bill to page 560 and start reading, you will find that there are many exceptions and there are no real work requirements in this bill either. If you will look at page 562 and just read the language that appears on that page, you will find out where this program is going to fail. Beginning with line 1 it says:

"(c)(1) Every individual who is registered as required by subsection (a) shall participate in manpower services or training, and accept and continue to participate in employment in which he is able to engage, except where good cause exists.

And, my friends, when you leave these decisions to the determination of officials in the Department of Health, Education, and Welfare and officials of the Department of Labor in the field, people are not going to be put to work. The use of the words "good cause" is as bad as the word "suitable" in my opinion. The loophole is too big. Social workers will abuse it.

I am pretty close to being able to vote for this bill if it really had work requirements. I offered this amendment in committee, and if before the conference is over this work requirement can be established, I think I can vote for this bill. The amendment which, I think, really needs to be added to the bill is simply this: Language that states—

Any individual enjoying welfare benefits or participating in these benefits who gets a bona fide job offer which pays a Federal, State, or local minimum wage and turns it down is automatically off welfare unless he has a doctor's certificate—

Not a social worker's certificate—

that he is physically not qualified to work, he is a minor, or he has reached the retirement age.

Then you will put people to work, and only then will you put people to work. We should quit the doubletalk and make people work where jobs are available.

I would leave you, my friends, with just one additional thought. You have seen that while the States have been administering welfare, State election after State election, and gubernatorial election after gubernatorial election where there was one primary issue: Who is going to add the most money to welfare benefits? If the Federal Government begins this program, every congressional election every 2 years from now on will have as its primary issue, "How much are you willing to raise this minimum benefit base from $2,400 upward?" How many of you Members think that this ought to be the basis of congressional campaigns in the future? If you will review, if this bill is not changed, the results at the end of 5 years, you will find that this is no panacea either and we will be further down the drain than we are today. I hope I am wrong because there will be no pleasure in saying, "I told you so." It will not work without work requirements.

Mr. CORMAN. Mr. Chairman, I should like to call attention to the Members that if I divide up the time I have remaining among the people who have requested time it amounts to 3 minutes each, so I will be limited to that unless there are Members who will be kind enough to yield.

Mr. Chairman, I yield to the gentleman from Connecticut for a unanimous-consent request.

(Mr. COTTER asked and was given permission to revise and extend his remarks.)

Mr. COTTER. Mr. Chairman, I rise in support of H.R. 1, the Social Security and Welfare Reform Act of 1971.

I will support title IV, the welfare reform section of this massive and complex bill.

I have given this bill the most serious consideration since it affects over one-fourth of our population, over 50 million citizens. This bill affects those citizens who are most vulnerable to fluctuations in the economy: the elderly and the poor. For these reasons my decisions required the most detailed thought and analysis.

Let me share with you my thoughts on title IV since this is the only section on which the House will vote separately. In this title, two new programs—family assistance plan—FAP—and opportunities for families—OFF—will replace the aid for dependent children—AFDC. Briefly, the FAP program will be assistance for those families which have no adult member who is able to work. This program will be administered by HEW. OFF will be assistance for families who have a member who can work or who is eligible for job training. This program will be administered by the Department of Labor. In each of these new programs there is a Federal floor for a family of four of $2,400.

Before I go into an analysis of the many aspects of this title, I wish to explain my view of welfare. There is much talk today of welfare as a right—something required by our Government. I reject this notion. Welfare is a service, but a necessary service. I think those who would argue that welfare—usually combined with some dollar level—is a right, create very real problems for a widely based acceptance of this Federal and State and local service. This is not to say that persons who receive welfare assistance do not have rights. Within the guideline established by the Federal, State, and local government, the welfare recipient must be treated fairly.

Having stated that welfare is not an intrinsic right, I do believe that Government has an obligation to assist our less fortunate citizens and it is my belief that the most equitable means to provide this service is to have full Federal assumption of the welfare burden.

It is for this reason that I introduced legislation (H.R. 5947) that would have accomplished this goal of full Federal assumption of welfare for this is truly a national problem. My bill also provided an incentive for the States to maintain present benefit levels by providing a supplementary Federal participation of 30 percent for those States whose benefits exceed $2,400—the so-called people hold-harmless provision. The States would have to pay 70 percent over the $2,400 but while the welfare families were receiving the same benefits, the State governments would be receiving additional tax relief it so urgently needs.

I am hopeful that the Senate version will contain these two features: A requirement that welfare families will not get less than they now receive; and that the Federal Government will share in the cost over $2,400 to maintain benefits. This provision would assist many States, like my own of Connecticut which has been enlighted in providing more realistic welfare benefits than many other States. This provision should be an interim step to full Federal takeover. It concerns me that States who have attempted to assist the poor might look upon H.R. 1 as a means to retreat from their original position.

Still, H.R. 1 provides an advance over the existing system. Some will argue that it encourages lower benefits, even in high-benefit States. I would suggest to these people that they look at the New York experience and what is proposed to Connecticut—a 10-percent reduction in benefits, This I suggest will be the

wave of the future. The recent report of a 50-percent increase in AFDC recipients in the last 2 years reinforces this position. The States will not indefinitely expand their welfare budgets to accept new applicants and maintain benefits. The present experience suggests they will expand the welfare rolls but lower the benefits. It is for this reason that H.R. 1 with its $2,400 Federal floor is an advantage over the existing matching system of AFDC. Admittedly the $2,400 is inadequate in many areas, but I believe that the hold-harmless feature—States will have to pay no more than they paid in fiscal year 1971 even with expanding welfare rolls—presents an added incentive to State responsibility to the welfare recipient.

As I mentioned before, I would like to see provisions in the bill that require the welfare family to be "held harmless"; that is, they would not lose benefits under FAP-OFF. This could be done by requiring States to maintain benefits and providing a 70/30 sharing formula plus a State "hold harmless." I hope that when the bill returns from the Senate we will be able to vote on such a feature.

The question of State and Federal cost and benefit levels have raised the most concern in this debate. I have stated my position on these issues. It is not a perfect bill, but it represents a beginning.

Let me now turn to other areas of concern. There is in the welfare section, a cost-of-living feature. Given our yearly inflation rate—approximately 6 percent—this bill would freeze payment levels to what the State decides in 1971. This seems very harsh. I believe that there should be a feature in this bill requiring yearly congressional and administrative review to assure that benefit levels are reasonable. I would favor the inclusion of a cost-of-living formula based on the Federal share.

There are some serious charges raised against the work sections in the welfare section. I believe that the American people want those on welfare who are capable of working or accepting job training to do so. I believe that those on welfare desire to break out of the poverty cycle. Although I realize the vast majority of citizens on welfare are children and thus are unable to work or be trained—the figures are between 50,000 and 200,000 of the 9 million on AFDC—those that are able should be required to do so.

There is one section in the work requirement feature that I have the most serious reservations about. In the committee bill, mothers in fatherless homes with children over 3 will have to accept work or job training. I believe that the family unit is the building block of our society, and that young children require the physical presence of a parental figure in their home at all times. I believe that there should be provision for continuing the parent in the home.

Another aspect of the bill causes serious concern. Although the bill provides for day care for children whose parents are required to take jobs or training, I have the most serious reservation that within the time specified in the bill that highly qualified day-care centers can be erected and staffed. I believe that there should be a gradual phase-in of the work and job requirements to allow the establishment of the highest quality day-care centers. These centers should be subject to the strictest control and regulation to assure that the child is given every opportunity to develop his potential. I reject the notion that these day-care centers are to be custodial service. They should be required to have a strong educational function.

These are some of my concerns on the welfare section of the bill. I will vote for this section, because I believe the current program has failed both the recipient and the expectations of those who are required to support it. This title is not perfect, but, I submit, it represents a beginning.

SOCIAL SECURITY AND MEDICARE

I support the 5-percent increase of the social security benefits, and I am glad that the bill provides for automatic cost of living increases. I suggested similar provisions in legislation that I introduced early in this session.

I am concerned, however, over some aspects of the medicare section. I heartily approve the extension of medicare part B coverage to all persons who reach 65. It is important that our elderly citizens have the opportunity to purchase health insurance at a reasonable cost. I am less satisfied with the increase in the deductible for medicare part B from $50 to $60 and the new requirement of a coinsurance payment of $7.50 after the first 30 days instead of after the first 60 days as presently in effect. I do not believe that medicare benefits should be lowered but that there should be reform of the health delivery system to cut costs. It is for this reason that I introduced a health plan to accomplish these goals. To be quite frank, I do not think that the piecemeal approach taken in this bill on the health problem will serve to correct the existing situation. There needs to be a total overhaul of our health delivery system.

In conclusion, Mr. Chairman, the complex bill represents a new approach to the welfare services. Some provisions, I believe, are valid; others less so. I do not believe the Congress or the executive branch will wash its hands of these problems if a bill is enacted into law. The complex human problem of the welfare services do not lend themselves to a single legislative package.

I am sure that Congress will have to consider many of these same problems again trying to strengthen the weakness that become obvious with experience. On the whole I feel this new approach must be tried.

This bill should be strengthened but this is a necessary first step. Therefore I will support H.R. 1.

Mr. CORMAN. Mr. Chairman, I yield to the gentleman from Montana (Mr. MELCHER) for a unanimous consent request.

(Mr. MELCHER asked and was given permission to revise and extend his remarks.)

Mr. MELCHER. Mr. Chairman, the removal of food stamps as part of the payments for welfare families and other welfare recipients, in my judgment, is a serious step in the wrong direction. H.R. 1, nevertheless, prohibits the use of food stamps as a means of providing the important sustenance of life to those on welfare. The purposes of the food stamps program are to end hunger and provide adequate nutrition for every American. There is substantial doubt in my mind that substituting cash for the value of the stamps will result in ending hunger and supplying adequate nutrition for those on welfare. Many individuals and families who are bogged down in high rents or a number of monthly payments for clothes and household items, may very well neglect proper nutrition for themselves and their families. All America will be better served when hunger is ended and nutrition is adequate for every citizen. I believe that the food stamp program is our best means of attaining that goal.

Even though I have serious objections to removal of food stamps from the bill, I find other features in the bill that are vital and needed at this time to reform the welfare program. For that reason I do support the bill, and I trust that the Senate, when they hold hearings on it, will restore use of food stamps in arriving at amounts of payments for welfare recipients.

Mr. CORMAN. Mr. Chairman, I yield 3 minutes to the gentleman from Maryland (Mr. MITCHELL).

Mr. CONYERS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

One hundred eleven Members are present, a quorum.

The gentleman from Maryland is recognized for 3 minutes.

Mr. MITCHELL. Thank, you, Mr. Chairman.

On last Friday I had an opportunity to get into the RECORD my major criticisms against H.R. 1 which I certainly delineated in a 1-hour presentation to this honorable body.

I have long been a critic of the present welfare system, I have long been an advocate of effective reform, and I have long been for some type of guaranteed annual income to families. I wish today that I could vote for a welfare reform bill, but H.R. 1, which is before this body, is not a welfare reform bill. It purports to be, but in actuality it is not.

I believe the essential weakness of this title IV comes from the motivation for it. That motivation was to look at the fiscal plight of the States and cities—and that is important, but in terms of H.R. 1 the needs of human beings become secondary or tertiary insofar as my reading of the bill is concerned. The matter of a decent standard of living for human beings has been left out in terms of this approach.

The most tragic part about H.R. 1, about the "H.R. 1 episode" as it will become known in history, is that once again this honorable body is going to the American public claiming significant and impractical reform legislation in the same manner that this honorable body has gone before the American public time and time again claiming the same thing,

only for the citizen to find out later that these "significant reforms" were merely legislative charades.

I for one will no longer be a part of the deception practiced against the American public. I cannot and I will not support reform legislation that does not reform, remedial legislation that does not remedy anything, and legislation that does not get to the core of the social welfare problems of this country.

The most amazing thing to me is that speaker after speaker favoring this title IV has come down in this well to say that they recognize the inequities of title IV. Those same men who recognize the inequities of title IV are then calling upon the Members of this honorable body to vote for the inequities that they recognize.

I do not know what kind of perverted logic is involved here, but I will not be a part of it. We are voting in strange coalitions and strange alliances today, but the situation demands this. I think the issue is so important that we can no longer play this kind of deceptive game, not only with welfare recipients but also with the American public in general. Therefore, I will vigorously support the motion to strike title IV, and I hope that many, many of my colleagues will join with me on this.

Mr. CONYERS. Mr. Chairman, will the gentleman yield?

Mr. MITCHELL. I yield to the gentleman.

Mr. CONYERS. What is the gentleman going to do on the final passage of the bill?

Mr. MITCHELL. In the event that title IV is still in it on final passage, then I will vote against the entire bill.

I have long been a critic of the present system of welfare. I have also long been an advocate for effective reform and for some type of guaranteed annual income to families. I wish that today in this House I could vote for a welfare reform bill, but such a bill is not before this body.

H.R. 1 purports to be a reform bill but in actually it is not. The driving motivation between H.R. 1 have been fiscal relief for the States and the political subdivisions thereof. The matter of a decent standard of living for human beings has been a secondary or tertiary consideration.

I have heard the arguments about work incentives under the current welare law. There is work incentive in the present law. Recipients may retain the first $30 earned each month and one-third of the balance earned. The important thing to remember under current law is that work expenses are excluded. Under H.R. 1 they would not be and thus the $720 may in the long run pan out to be less of an incentive than is provided under current law.

This body recently approved a Federal minimum wage of $1.60 per hour and yet this same body through some perverted sense of logic will, if it passes H.R. 1, force persons to work at a wage less than the Federal minimum.

I could go on and on in terms of contradictions explicitly and implicitly setforth in H.R. 1 but that would be a waste of your time, because many Members are aware of the series of contradictions.

It is important to note that the area not yet specifically addressed by proponents of this legislation deals with the legal rights of recipients. There are those callous and cruel persons who take the attitude that if a person receives public assistance he loses in effect most of his legal rights. This appears to be the position of H.R. 1 in terms of legal rights. This legislation would deny a recipient from utilizing free legal assistance in a claim before welfare administrators. This bill is woefully lacking in measures to safeguard a claimant's right of appeal. This bill, H.R. 1, makes it mandatory for the Federal Government to impose residency requirements when such requirements are on their face violative of recent Supreme Court decisions.

The most tragic part about the sorry H.R. 1 episode is that once again this honorable body is going to the American public claiming significant, impactual, reform legislation in the same manner as we have gone before the American public time and time again with a package bearing a false label. I for one will not be a part of this. I for one will no longer permit deception to be practiced against the American public. I cannot and will not support "reform legislation" which does not reform—"remedial legislation" which does not provide a remedy—and legislation which does not go to the core of the social problem of welfare.

Speaker after speaker has stood in this well admitting to the inequities in title IV pointing out that despite these recognized, admitted inequities we should retain title IV.

Mr. CORMAN. Mr. Chairman, I yield 3 minutes to the gentleman from New York (Mr. RANGEL).

(Mr. RANGEL asked and was given permission to revise and extend his remarks.)

Mr. RANGEL. Mr. Chairman and my colleagues, as most of you know, I represent the central Harlem community which historically has suffered a lack of training opportunities and a lack of job opportunities since long before I was born in that community.

However, this bill that relates to the problems of the mothers that have children seems to me to be a blatant appeal to those who would like to believe that all poor people are on welfare because they want to chisel. I say that because if any one bill can present this type of opportunity to poor welfare recipients, I certainly hope before this august body ends this session, they would take this same opportunity to help many poor people who are anxious to work and looking for the opportunity.

It is strange that so many good things have been merged into one bill where the needs of different groups have merged and yet some particular different table of needs has been drawn out by the committee when this bill has been reported.

My wife has been a social worker all of her adult life dealing primarily with the problems of the aged. I discussed with her the fact that this bill presents twice as much income for two aged people as it would for a mother and three infant children. She could not explain to my satisfaction why this would be done unless the reason be outside of her scope of knowledge, and that reason, of course, would be political.

Mr. Chairman, I suggest that if we are sincere in attempting to reach the poor people, then certainly we should have a bill before us today that would encourage all of the States to join in and assume their moral responsibility to help the needy of this country. It seems to me to be a pretty shallow and pretty weak argument to say that because five States of this great Union have not seen fit to meet their economic and moral responsibilities to their needy, then we who come from States that do have a higher responsibility above the $2,400 limit for a family of four—that we should encourage these States to give less rather than to give more.

For these reasons I believe it is almost unfair to ask a new Congressman and, indeed, even an older Congressman to have to strike out increased assistance to our disabled, aged, and blind only because our Congress has been blinded to the needs of our poor children who stand before us today powerless to defend themselves.

Mr. CORMAN. Mr. Chairman, I yield 3 minutes to the gentleman from California (Mr. DELLUMS).

(Mr. DELLUMS asked and was given permission to revise and extend his remarks.)

Mr. DELLUMS. Mr. Chairman and colleagues, we have heard several hours of debate on H.R. 1 and specifically section IV which has been referred to as the welfare reform bill.

I rise this afternoon in opposition to H.R. 1 with the inclusion of title IV as it is written.

I believe deeply that there is nothing inherently wrong about a person who is poor, but there is something inherently evil in a society that continues to perpetuate poverty in this country—particularly in a nation with a gross national product of nearly $1 trillion, but where millions of people fee the pangs every day of poverty and hunger and disease in this country. It is our responsibility as the people's branch of the Government to address and effectively deal with the human misery that is all too real in this Nation today. However, H.R. 1 is not an effective response to the welfare problem of the country. This bill is repressive, inept, ineffectual and expedient. It does not come to grips with the millions of poor people who are locked out of the economic wealth of this Nation as a result of many factors. I hasten to add that the factors to which I allude are ones over which most of the poor have no control. The proposed figure of $2,400 per year for a family of four is a feeble and ludricrous response to the plight of the poor given the economic realities of today. We must establish a base below which no person should be required to live, and that base must reflect economic realities and human dignity.

Mr. CONYERS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

Ninety-nine Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the

following Members failed to answer to their names:

[Roll No. 155]

Abourezk	Ford,	Purcell
Ashbrook	William D.	Rees
Badillo	Fraser	Reid, N.Y.
Baker	Gray	Roy
Blatnik	Grover	Runnels
Bray	Hébert	St Germain
Clark	Holifield	Sandman
Clay	Long, La.	Scheuer
de la Garza	Lujan	Staggers
Dent	McCulloch	Taylor
Diggs	Minshall	Tiernan
Donohue	Moss	
Edwards, La.	Podell	

Accordingly the Committee rose; and the Speaker having resumed the Chair, Mr. DINGELL, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 1, and finding itself without a quorum, he had directed the roll to be called, when 397 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. When the Committee rose the Chair had recognized the gentleman from California (Mr. DELLUMS) and the Chair now again recognizes the gentleman from California (Mr. DELLUMS).

The Chair advises the gentleman that he has 1½ minutes remaining.

Mr. DELLUMS. Mr. Chairman, before the quorum call, I rose in opposition to H.R. 1, with the inclusion of title IV as written. To continue, I consider this legislation at best expedient, because it attempts to communicate to the poor, and those who would help the poor, an illusion under the guise of welfare reform, that we are giving something to people who desperately need it in this country. At the same time, we are attempting to communicate to those who would oppose any real help to the poor, by virtue of the repressive measures in title IV, that too many of us continue to cling tenaciously to the absurd notion that the poor have always, therefore, shall always be among us. In title IV, we are communicating a punitive view of and approach to the poor.

I would suggest, however, that we have a principled and moral obligation to eradicate poverty and hunger in this country. This will not be done by H.R. 1.

The Department of Labor statistics have indicated that the level of decency in this country for a family of four is $6,500 a year. When one places those figures in juxtaposition with the proposal advanced by H.R. 1, title IV—then the question is who is kidding whom? In the San Francisco Bay area, a family of four must earn a gross income of at least $9,600 per year, or that family's purchasing power is at or below the poverty level. Now then, when one places this situation in juxtaposition with the proposed "assistance" to the working poor advanced by H.R. 1, title IV—again the question is, Who is kidding whom?

I would suggest to this body that now we have the responsibility to understand that we can no longer afford the luxury in this Congress of expedient liberal legislation. We have to finally address ourselves to the basic causes of hunger, disease, and poverty which gives rise to frustration in this country.

One of the critical issues today is the lack of equity in the distribution of wealth not only to the 15 percent of people in this country who are desperately poor, but to the 40 percent of the people in this country who are in America's labor market who earn between $5,000 and $10,000 a year—working for the privilege of being poor.

Mr. CORMAN. Mr. Chairman I yield 3 minutes to the gentleman from Michigan (Mr. CONYERS).

(By unanimous consent, at the request of Mr. CONYERS, his time was allotted to Mr. DELLUMS).

Mr. DELLUMS. Mr. Chairman, I thank the gentleman from Michigan (Mr. CONYERS) for yielding additional time. To continue, this group has a right to economic assistance in this country.

In this bill we are giving them the illusion that we are helping them with some tax money. Yet, they need more resources to function in a society where inflation and the war has caused the cost of living to go up in an extraordinary fashion. We must strike down such legislation, designed to give people the illusion that we are solving their problems when, in fact, we are not. And this bill, H.R. 1, does not deal with any of these critical issues. If we are going to talk about guaranteed annual income, let us talk about the decency level as defined by the Department of Labor as an adequate income in this country.

Most economists suggest that full employment is not very viable in America. If that is true, how are we going to get the income into people's hands who are not able to work for one of a variety of reasons, and how are we going to supplement the inadequate incomes of many workers trapped in menial jobs paying poverty wages?

If there is need for guaranteed annual income, and I believe there is, this Congress might as well deal with it now in 1971—and H.R. 1 is no effective response to this question.

Mr. Chairman, I hope the Members of the House will vote to exclude title IV from this bill, and if it is included, I hope all my colleagues will help me in striking down this legislation and defeat it on the floor on the principle that we must begin to face the human problems of the day with honesty, forthrightness, and integrity, and not with deception and expediency.

Mr. CONYERS. Mr. Chairman, will the gentleman yield?

Mr. DELLUMS. I yield to the gentleman.

Mr. CONYERS. Mr. Chairman, I, of course, agree with the sentiments the gentleman has voiced so expertly. I am hoping that other Members who may be torn as many of us were by what we are about to do that in case title IV remains in this bill, we will see, as the gentleman from California has pointed out so ably, that perhaps the time has come for us to rethink some of the liberal notions of welfare reform, which is what has gotten us into this present dilemma.

The gentleman from California may recall our esteemed chairman of the committee that brought this bill forward yesterday talking at length about how terrible the welfare situation is in America. Well, I submit to you that we all sat in this body while that welfare situation became so terrible. As a matter of fact, some of us perhaps were architects of that liberal notion of welfarism that has brought us to this present dilemma. Perhaps now would be the time for us to be honestly facing the question and beginning to vote against the entire bill if title IV remains in the bill.

Mr. DELLUMS. I concur with the gentleman.

Mr. CONABLE. Mr. Chairman, I yield to the gentleman from Illinois (Mr. CRANE).

(Mr. CRANE asked and was given permission to revise and extend his remarks.)

Mr. CRANE. Mr. Chairman, the welfare reform bill which we are considering today is aimed at dealing with a vital problem in our society, that of the ever increasing number of Americans who are now on the welfare rolls and are being, in effect, subsidized by those Americans who work.

No one doubts that the welfare system of today has been a great failure precisely because it has been based upon the assumption that citizens have a "right" to welfare and have no corresponding obligation, if they are able, to seek and accept employment.

While those who defend the thesis that citizens do, in fact, have such a "right" to welfare often proclaim their own humaneness and concern for those citizens who have found it either necessary or beneficial to avail themselves of welfare dollars, the fact remains that welfare has merely placed such citizens on a "dole" and has made them wards of the state. In no sense, has it helped them to lead meaningful and independent lives.

Those who somehow believe that placing people on a "dole" is the answer to the problems of our poor, black, and other minority group members are showing an attitude which can only be described as patronizing. In fact, our welfare system of the past has been precisely this: patronizing.

Consider for a moment the criticism leveled at welfare by one eloquent black spokesman, Malcolm X. In his "Autobiography" he wrote:

> If . . . (they) wanted more to do, they could work on the roots of such ghett · ·.·ills as the little children out in the streets at midnight with apartment keys around their necks to let themselves in, and their mothers and fathers drunk, drug addicts, thieves, and prostitutes. Or . . . (they) could light some fires under Northern city halls, unions, and major industries to give more jobs to Negroes to remove so many of them from the relief and welfare rolls, which created laziness, and which deteriorated the ghettoes into steadily worse places for humans to live . . . one thing the white man never can give the black man is self-respect. The black man never can become independent and recognized as a human being who is truly equal with other human beings until he has what they have, and until he is doing for himself what others are doing for themselves.

The same attitude toward the patronizing nature of our welfare system was

expressed by Bayard Rustin, director of the A. Philip Randolph Institute in New York. He said that the welfare-state philosophy inherent in our recent war on poverty and in other concepts of placing people on a "dole" is an "immoral bag of tricks" amounting to a new form of slavery. He stated:

The problem for Negroes, Puerto Ricans, and poor whites . . . is that America has no commitment to turn muscle power into skills.

Given a welfare system of this kind, one in which hundreds of thousands of new names appear on the rolls and few, if any, of the old names leave the rolls, it is clear that reform is needed.

Yet, the bill we consider today compounds the evils of the current system, and makes them far worse. The family assistance plan as now written would add 14 million men, women, and children to the 12 million currently receiving aid to families with dependent children. It would cost a minimum of $5.5 billion in new Federal welfare spending a year, and more probably $10 billion. In fact, Chairman RUSSELL LONG of the Senate Finance Committee has estimated that if the principle of FAP is ever enacted, expenditures will quickly climb to $100 billion a year.

In addition, the proposed plan would place the working poor on a Government "dole" as well as those without jobs. Commenting upon this aspect of the plan the American Conservative Union noted:

This is a particularly grave danger light of a seldom-remarked but provable fact: the incredible upward mobility of the American working poor, and the virtual disappearance of this group within a few years should present trends continue.

The American Conservative Union continues:

Consider the following facts: the poverty threshold for a non-farm family of four is $3,553 in 1968 dollars. By this inflation-adjusted government standard, there were 39.5 million poor Americans in 1959, according to a 1970 Census Bureau survey. Put another way, in 1959 poor people accounted for 22.4 per cent of all Americans. By 1968, the figure was 12.8 per cent. Assuming the economy expands somewhat less in the coming decade that it did in the last, by 1977 no more than 15 million Americans—and conceivably as few as 12 million—will be poor. The 1959 figure of 22.4 per cent will in all likelihood have declined to between 5 and 8 per cent, in a period of only 18 years.

It makes little sense to enter the area with a crisis program, calling for income supplements to the working poor in an effort to solve a problem that seems to be solving itself.

It has been estimated by economist Henry Hazlitt that the FAP program, if enacted, will cost each individual taxpayer as much as $275. He noted that the plan will cost at least $10 billion in the first year and that the money will have to come from the average taxpayer through still more taxes or through still more inflation. And, after all of this, we will have solved none of the things which are wrong with our current welfare system. We will only have compounded them grievously.

Far better than the FAP approach, and keeping with the Nixon administration's general philosophy of returning authority to the States, would be a plan to return the whole problem to the States where it belongs.

A new bill which will do precisely that has been introduced. It would return all Federal money committed to welfare to the States and let a State administer its own welfare program. Under this bill, proposed by Senator CARL CURTIS and Representative JOHN DUNCAN, the Federal guaranteed annual income plan would be eliminated and the States would once again assume an important role in designing relief programs. As Human Events pointed out in its lead editorial for this week:

Most important, the HEW bureaucracy would be dismantled as well as the scores of regulations that have been driving welfare costs upward over the past decade.

I wish at this point to insert the Human Events editorial from its issue of June 26, 1971:

CONGRESS SHOULD CONSIDER NEW WELFARE REFORM PLAN

The House faces a showdown on the Nixon-Mills Family Assistance Plan (FAP) this week—perhaps as early as Tuesday—and the fate of the country could be determined by the outcome. Under the chairmanship of Rep. William Colmer (D.-Miss.), the House Rules Committee has, happily, separated FAP from Social Security, thus making it much easier for the congressmen to turn it down. But the odds are still in favor of the strange coalition of forces pushing FAP.

If it chooses to pass this bill, the House will be doing the nation a great disservice and possibly irreparable harm. The enactment of FAP can only strengthen the heavy, heavy hand of the federal bureaucracy and encourage the Great Leap Forward toward socialism.

The cost—at least $5 billion more in federal welfare spending to start with—will undoubtedly soar far above this figure. FAP will plunge this nation—already about to rack up an outlandish inflationary deficit—into further red ink. The number of people on welfare will double or triple and the work ethic instilled in many of the poor will be destroyed.

FAP could also become a central engine for the destruction of existing U.S. military forces. With the monstrous outlays that will be needed to keep this white elephant afloat, the military budget will undoubtedly face another massive squeeze of funds, a squeeze even more severe than the one from which it is currently suffering without FAP on the books.

Aside from all these objections, this legislative atrocity is a nifty gimmick for demagogues. With the adoption of a guaranteed annual income plan—and make no mistake, this *is* such a plan. Administration propaganda to the contrary—the politicians will be having a field day outbidding each other to get a chunk of the "poor" vote. Indeed, they already are making such a pitch, including the politicians within the Administration.

Riponer Robert Patricelli, the HEW under secretary who has done his level best to saddle the country with this albatros, has already encouraged the rabble-rousing National Welfare Rights Organization to believe the Administration is prepared to escalate the costs of the FAP plan now before the House. Patricelli stressed he wanted no changes just before the House vote, for he apparently believes the House would not vote for anything more costly at this time.

But when it gets to the Senate, he suggested FAP could be loosened up to please the appetites of the members of the more liberal upper chamber. In debating NWRO director George Wiley before some 300 HEW employes last week, Patricelli said he would favor any bill "that can survive and get 51 Senate votes." In order to see it "survive," Patricelli said he and the Administration would support a move requiring states to maintain at least their present level of welfare payments. They would also favor Senate changes to forbid states to reimpose one-year state residency requirements to qualify for welfare and to relax the work requirements so that welfare recipients would only have to take "suitable" jobs.

Thus the Administration has shown itself quite capable of prostituting itself on this crucial issue which will affect millions of American lives.

Via Patricelli, it is now known that the White House doesn't care a fig about the type of proposal that is passed so long as the President can wave it around next year as a "triumph" for welfare reform. Since the expensive consequences of this measure won't be felt until a few years hence, the taxpayer will presumably not get angry at the Republicans until the 1972 election is neatly out of the way.

While the Administration is pressing for this monstrosity, there is, in fact, a rather attractive alternative to the Nixon-Mills bill. This new measure, introduced in the Senate by Carl Curtis (R.-Neb.) and in the House by John Duncan (R.-Tenn.), would, in effect, return all federal money committed to welfare to the states and let a state adminster its own welfare program. Former Sen. John Williams (R.-Del.), the man who torpedoed the FAP plan in 1970, has endorsed the bill as a sound substitute for the FAP plan.

Curtis, a member of the important Finance Committee, should be able to swing a number of senators behind his program. Over in the House, Representatives Philip Crane, Barry Goldwater, Jr., William Scherle, Bill Archer, Del Clawson and others have cosponsored the measure and have sent a special letter to their colleagues urging them to support what is, in effect, a special revenue sharing program for welfare.

Under the Curtis-Duncal bill, the federal guaranteed annual income plan would be eliminated and the states would once again assume an important role in designing relief programs. Most important, the HEW bureaucracy would be dismantled as well as the scores of regulations that have been driving welfare costs upward over the past decade.

Lt. Gov. Ed Reinecke of California, who is an expert on welfare problems, recently stated that—contrary to liberal mythology—the major reasons for skyrocketing welfare costs have been liberal court decisions, HEW regulations and federal controls over welfare in general. The Curtis-Duncan bill would meet these objections head on. After defeating FAP, the Congress, we submit, should turn to the Curtis-Duncan approach if it wants to truly reform the welfare mess.

The Curtis-Duncan bill is in general agreement with the revenue-sharing philosophy enunciated by the Nixon administration. It is, in fact, an example of special revenue sharing, returning authority and jurisdiction to the States and away from the Federal Government. FAP, in almost every respect, contradicts the philosophy which President Nixon has repeatedly said he intended to bring to the Nation.

At this point I would like to insert a brief comparison which has been made of the two bills, S. 2037—H.R. 9156—Curtis-Duncan bill—and H.R. 1—Mills bill—FAP:

CURTIS-DUNCAN BILL (S. 2037—H.R. 9156)

1. Eliminates the guaranteed annual income.

2. Dismantles H.E.W. bureaucracy; returns to the states responsibility for designing and administering welfare programs.

3. Mandates state residency requirements.

4. Estimated cost comparable to present expenditures, but provides mechanism for reducing welfare costs while increasing benefits to the truly needy.

5. Provides mechanism for decreasing welfare caseloads.

6. Restores the concept of "federalism" by returning the "flow of power" to the states.

7. Carries out the Administration's proposals for special revenue sharing.

8. Permits flexibility for each state to design programs suitable to the economic, geographical and social needs of its people.

9. Would aid states which impose work requirements and establish job training programs.

10. Permits new low-income family assistance programs at the discretion of the states.

MILLS BILL (H.R. 1)

1. Provides a guaranteed annual income of $2,400 a year for a family of four.

2. Enlarges the H.E.W. bureaucracy by "federalizing" all welfare programs.

3. Eliminates residency requirements.

4. More than doubles the current expenditures for welfare.

5. Nearly doubles the number of people eligible for welfare.

6. Undermines the concept of "federalism", at the expense of the states, by concentrating both the administration and financing of all welfare programs in Washington.

7. Is diametrically opposed to the concept of revenue sharing and is so costly it endangers passage of any other revenue sharing bill.

8. Imposes standard, uniform programs and regulations in all areas without regard for differing problems and needs.

9. Requires able-bodied to work only if paid ¾ of the Federal minimum wage; provides job-training and other employment incentive programs administered through the U.S. Department of Labor.

10. Establishes a uniform and costly program of family assistance to the working poor.

The FAP bill takes the radical step of putting the working poor—those who are proud not to be on welfare—on the dole. It initiates the concept of a guaranteed annual income for all citizens. While it speaks of "work incentives" the fact is that there has been a "must work" requirement in the aid to families of dependent children since 1967, and it has never been enforced. In addition, there would be no check whatever to determine if the recipient was spending his money wisely. Each person would be completely free to spend the taxpayers money at his own pleasure—for television, automobiles, or whatever. This plan does not do what Malcolm X, Bayard Rustin, and other black leaders have wisely recognized as being so necessary: It does not help people to help themselves.

By any standard, either that of what will best help the poor to become independent and constructive citizens, or what will best help to restore power and authority to the States, the FAP plan fails.

At this point I wish to share with my colleagues an analysis of the FAP bill prepared by the American Conservative Union:

ANALYSIS OF THE FAP BILL

On behalf of more than 60,000 members of the American Conservative Union, we strongly urge you to vote against the Family Assistance Plan on the House floor.

In general outline, this bill is the one passed last year by the House on a vote of 243 to 155, but killed in the Senate Finance Committee on three separate votes. For several reasons, it would be a grave mistake for the House to repeat its favorable action of fourteen months ago.

For one thing, the scrutiny given this bill by the House Ways and Means Committee, both in the 91st Congress and this one, has left much to be desired. When the House voted for FAP in April 1970, little was known of the failure of previous efforts to get welfare recipients to work, through the 1967 WIN amendments to AFDC and through numerous local experiments including a massive one in New York City. The WIN program provided income supplements to welfare recipients who took a job, and also had a work requirement (though it did not provide money to working poor families not then on welfare). Yet it was precisely during the period when WIN was in effect (1967-71) that the most alarming increase in welfare case loads took place.

In New York City, 200,000 welfare families were offered monetary work incentives to get off welfare *more generous* than those allotted in any version of FAP. In more than two years, exactly 235 families worked their way completely off welfare. At the same time, tens of thousands of new families were being added to the city's welfare rolls. It is clear that income supplements to welfare families whose head of household takes a job have proved no panacea in reducing dependency. Yet the Ways and Means majority report hardly alludes to these discouraging experiences.

Also neglected by Ways and Means were the incredibly low incentives provided in FAP. In many states, particularly those with high levels of state supplements, it would be more profitable for a head of household not to work than to work. These incredible statistics, provided by Health, Education, and Welfare staffers at the request of Sen. John Williams, were not brought out in the Ways and Means hearing of 1969-70. When they were brought out to his attention, Presidential Counselor Daniel D. Moynihan estimated that it would take five years for the Administration and Congress to "rationalize" FAP with other Federal programs in such a way that FAP's incentives would be more than trifling. In the time since then, the Administration has taken only one step—the elimination of Food Stamps—to increase FAP's incentives. But this step may soon be counteracted by passage of the Family Health Insurance Program (FHIP), which is expected to arrange its incentives similarly to those in FAP—thus decreasing FAP's incentives in precisely the same way that such Federal programs as public housing, rent supplements, and Food Stamps now do.

These facts were not generally known when the House voted for FAP in early 1970, and it is understandable that many members supported it as welfare "reform" based on the fragmentary information provided by Ways and Means. No such excuse exists now.

In its conception, FAP is not welfare "reform," but an expansion and institutionalization of the present bankrupt system. In no respect would it be easier, or more profitable, or more likely for dependent families to get off welfare. The one "innovation" in FAP is precisely the one most likely to extend the present welfare morass indefinitely into the future: income supplements to the working poor. This provision, which is especially unneeded when one considers that working poor families have declined nearly in half in the past decade, would merely bring 14 million Americans into a guaranteed-income structure that has already failed for the 12 million now on welfare.

The eventual cost of this program would be enormous. The Administration estimate of $5.5 billion in additional Federal spending is probably too low by nearly half. But even if this figure is accurate, by creating still another "fiscal constituency" of the Federal Government we guarantee escalating demands and benefit levels in the years ahead. Sen. Russell Long, chairman of the Senate Finance Committee, is probably not far wrong when he estimates the eventual cost at $100 billion a year.

There is still another reason for the House to reverse its vote of 14 months ago: this bill is even worse than the one passed then, in the following respects:

1. The benefit level for a family of four has escalated from $1600 to $2400—an interesting preview of future rises, should this bill be passed.

2. Several types of "unearned" income will be excluded from the Federal calculation, thus increasing benefit levels even further.

3. Thanks to a "hold harmless" clause, no state will have to spend more for welfare than it did in Fiscal 1971. Thus all future costs of welfare expansion will be absorbed by the Federal Government, and the states will lose all incentive to cooperate in reducing their caseloads.

4. The new bill provides for Federal administration of welfare—precisely at the time when the states with the worst problems, including California and New York, are acting resolutely and forcefully to bring this problem under control. It is hard to conceive of any measure better designed to perpetuate, rather than attack, the welfare crisis than total Federalization at this time.

As if these retrogressive steps were not enough, Assistant HEW Secretary Robert Patricelli has announced that the Administration will break its agreement with Ways and Means and liberalize the bill even further if it gets to the Senate. Among the moves Patricelli said the Administration will support are: requiring the states to maintain present benefit levels; Federal percentage supplement of increased state levels; relaxation of the "work requirement" to permit mothers with older children to avoid work; reinstitution of the notorious "suitable work" provision knocked out by overwhelming vote of the House last year; and the forbidding of states to reimpose one-year residency requirements for relief as several have recently done. It is all too clear that the Administration wants an explicit guaranteed annual income for 26 million Americans, and will do its best to get one no matter what the cost.

The fact is that this disastrous bill would expand and institutionalize the present system, rather than "reform" it; that it would take power away from the states precisely when the states are beginning to act vigorously; that it would create a huge and inevitably growing new "fiscal constituency" of 26 million whole or partial Federal dependents whose future demands on the Congress would be enormous; it is clear, in fact, that FAP would be far worse than the present system, bad as that system is.

Defeat of FAP would avert a potential catastrophe; but it would also make possible a Congressional attempt at meaningful reform. Among the ideas that should be carefully considered is the Curtis Amendment, which would apply the principle of special revenue sharing to the field of welfare. In this way, Federal money could be used to facilitate state and local solutions, in which subsidiary forms of government could devise plans appropriate to widely varying local conditions. But consideration of this or any other genuine welfare reform would be rendered impossible by House approval of FAP.

The American Conservative Union urges every member of the House to vote against this mischievous, ill-timed measure. It could be the most important vote you have ever cast, in this or any other session.

Mr. Speaker, I would like to conclude with the following quotation:

To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit. It is inimical to the dictates of sound policy. It is in violation of the traditions of America.

This quotation is taken from the second annual message of President Franklin D. Roosevelt on January 4, 1935.

Mr. CONABLE. Mr. Chairman, I yield 3 minutes to the gentleman from Illinois (Mr. ANDERSON).

(Mr. ANDERSON of Illinois asked and was given permission to revise and extend his remarks.)

Mr. ANDERSON of Illinois. Mr. Chairman, I rise to express my strong opposition to the motion to strike title IV from the bill, H.R. 1, as reported by the Ways and Means Committee. I certainly realize that title IV is not without areas in which some important improvements would be in order. But when we consider the colossal breakdown of the current system, when we consider the enormous damage it is doing to the very fabric of our social order, and when we recall that Chairman MILLS yesterday predicted, and I quote, "I do not know how we can come back any time soon or even within this Congress with any other approach to the restructuring and reforming of the welfare system," then I do not see how we have any other choice but to approve and send on to the Senate for speedy action this historic piece of welfare reform legislation.

Mr. Chairman, we have heard repeated more than once in the last 2 days the distressing statistics on the soaring welfare caseloads in this country. Between 1961 and 1970, AFDC rolls grew by 4.4 million persons at a cost to the taxpayers of $2.5 billion per year. The newspapers just yesterday carried stories of a recent HEW study showing that just since August 1969, when the President first proposed the fundamental welfare reform program that I believe has come to fruition in this bill, AFDC loads expanded by 3,441,000, an increase of 50 percent.

I would be the last person to deny that these statistics ought to provide cause for concern and alarm. But in dwelling on these statistics too exclusively, I am afraid we may be overlooking an even more important aspect of the problem. That is the 10 million persons now on the rolls are not merely "cases," but families—all too many of them broken, dispirited and scattered, not in small part because of the present system.

Therefore what is really evil about the present system is not only that caseloads are being driven up, as bad as that is in itself, but that families are being driven apart. And I need not remind my colleagues this afternoon of all the deleterious social consequences that flow from that process.

Let me cite just a few indicators of the way the AFDC program functions to undermine family stability. Currently 7 percent of the child population of this country is found in welfare families; if we allow the current system to continue that number will more than double to 15 percent in just 5 years. Yet does anyone really believe that this Nation can long survive as a body of free and independent citizens, if almost one-seventh of the population is brought up in dependency?

Second, AFDC was originally established as a program for providing cash assistance to destitute widows and mothers whose husbands were incapacitated or otherwise not able to provide for their family. In 1940 almost 80 percent of the families on AFDC represented just these kinds of situations. However, by 1960, less than 40 percent of the families on AFDC were in situations like those envisioned by the framers of the act and over 60 percent represented cases in which the father was absent due to desertion or other similar reasons. In the last decade things deteriorated even further so that in 1967 fully 75 percent of the families on AFDC represented situations in which the father was absent from the home for reasons other than those intended by the framers.

Moreover, the financial disincentives of the current system that encourage families to break up, also serve to discourage AFDC mothers from remarrying or even marrying in the first place. While I do not have the precise statistics at hand, studies show that AFDC mothers marry and remarry at a rate many times lower than the national average. And this is surely understandable. In many cases to remarry would mean loss of eligibility for support and perhaps a considerable loss of net income.

Mr. Chairman, this powerful inducement to family breakup, rather than family formation, is the real evil of the present system; it is this pervasive erosion of the family unit from which stems the spreading disease of crime, narcotics addiction, violence and dependency that afflicts the general cities of our Nation. And so when some of my colleagues complain that the welfare reform bill before us would add 6 million to the relief rolls, I ask them: Will it also add 6 million to the roll of broken families? Will it also add 6 million to the growing army of children and youth in our cities who are thrown into the streets to be socialized by all the worst elements of our society because they lack a home, a family, or a father? Or will it do the opposite? Will it not remove the elements of the current system that have done so much to destory family stability and responsibility among recipient families? Will it not help low-income families to remain together rather than split apart out of the desire to obtain enough income to live decently? Will it not encourage low-income fathers to remain with their families and provide the example of self-support and independence that is so necessary for healthy growth and maturation of children and youth?

Mr. Chairman, I think the answer to these questions is an unequivocal yes. And if we have to increase the formal number of cases on the assistance rolls in order to decrease the growing number of real broken families, if this is the case, then I say the price is well worth paying.

Mr. Chairman, this leads me to a related point. There has been a strong campaign in recent weeks to panic the taxpayers of this Nation by carelessly bandying about the $5.5 billion price tag that accompanies title IV of this bill. But as the distinguished chairman of the Ways and Means Committee cogently pointed out yesterday, that figure is being used in a totally unconscionable, irresponsible manner. To begin with, $1.6 billion of that sum represents fiscal relief to the States, not a net cost to the taxpayers. And is there any Member of this body whose State is not in desperate need of respite from the mounting cost of public assistance? Governor Ogilvie of my own State put the matter very clearly in a letter to me in which he stated:

Our State is going broke because of welfare costs. Three years ago the welfare budget was $430 million. This year it is $920 million and for the next fiscal year it will be at least $1.12 billion. H.R. 1 is not a perfect bill. Yet, last year welfare reform died . . . given the welfare crisis in Illinois we must not let that happen again.

Another $1.5 billion represents increased payments for the adult categories, a change that I have not yet heard to be thought objectionable. Finally, of the remaining $2.4 billion, $1.7 billion is intended for programs like child care, public service employment and work experience and training designed to do the very thing these critics of this bill say they want to achieve. So in light of this I must express the view that a great disservice is being done to the cause of welfare reform by those who have so carelessly used these figures.

Mr. Chairman, there is one final aspect of this title on which I would like to comment. That concerns the requirements and incentives for work and job training. It has been charged that this bill would establish a guaranteed annual income and that this would lead to a dangerous erosion of the work ethic upon which our society is based. I have read the bill and simply find no grounds for this charge. The plain clear requirement of the bill is that all able-bodied adults would be required to register for work or training. If they did not, they would lose $800 in benefits plus possibly $320 more in work-training allowances. It seems to me that over $1,100 a year is a pretty strong incentive to work. Moreover, an individual would be able to earn $720 a year plus one-third of anything above that without loss in benefits; so again there is a powerful incentive in this bill for "workfare" rather than "welfare."

Mr. Chairman, the choice before us is at bottom quite simple: Do we want to continue for another year, perhaps even 2 or 3 years, with a system, the dollar costs of which are soaring, and the social costs of which are becoming even more unbearable? Or can we summon the good sense to move ahead with a bill that is admittedly imperfect, but one that promises to begin to fundamentally reform a system that has become a sapping, cancerous blight on the American social order. I certainly hope we have the foresight to choose the latter.

Mr. CONYERS. Mr. Chairman, will the gentleman yield?

Mr. ANDERSON of Illionis. I yield to the gentleman from Michigan.

Mr. CONYERS. I thank the gentleman for yielding. I am impresed with the gentleman's sincerity as he speaks in the well, as I have said many times be-

fore. But is it not true that we have other alternatives between continuing on with the present system and adopting this very sorry proposal that is before us now? Is that the only alternative the House of Representatives has?

Mr. ANDERSON of Illinois. My only reply to the distinguished gentleman can be made by quoting again the words of the chairman that he does not know how he could come back soon or within this Congress, within this 92d Congress, with any other approach, and it seems to me the problem is sufficiently severe that we ought not to pass up the opportunity that we have here now to make some change, some improvement in a system which the gentleman has certainly condemned many times as oppressive and inequitable.

Mr. CORMAN. Mr. Chairman, I yield to the gentleman from Florida, Mr. SIKES, for a unanimous-consent request.

(Mr. SIKES asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. SIKES. Mr. Chairman, there is no question that we must have reform in the Nation's welfare programs.

Welfare rolls have doubled in the last 2 years, with most of this increase attributable directly to the Aid to Dependent Children program. The tragedy of ADC funding is that much of the money does not reach the needy child. Instead it finds its way into the hands of parents or others, some of whom do not even live in the home with the child which needs help.

But, and again I emphasize, we need welfare reform. I cannot go along with the concept of adding more of the taxpayers money to the present system. That, I fear, is exactly what will be accomplished with the guaranteed annual income plan which is proposed. I know that the administration and the House Committee on Ways and Means feel safeguards can be provided which will insure work programs under the current proposal. I have the utmost respect for the distinguished chairman and members of the committee and I appreciate the effort they have made. But I just do not see how the new proposal will do other than add to welfare rolls. If work is not available—and I do not feel that it will be made available under the present proposal—it is obvious people will be maintaining in idleness. The system will operate to encourage people to take advantage of a guaranteed income. Instead of doubled welfare rolls, we will have them redoubled. And once we adopt the concept of a guaranteed income, the only real question will be how much is enough for each person on welfare.

Despite its much publicized role as reform," what we are asked to consider simply appears to be throwing good money after bad. There is no evidence the welfare program heretofore has contributed to encouraging those out of work to seek work. The contrary is true. If there is now to be a certainty, a guarantee, of income—work or no work—there are not many who will earnestly seek work.

What is needed, if we are truly to have welfare reform, is another look at the effort to develop a functioning work program. We must insure the availability of useful and productive work and require work from the able-bodied who are on welfare. If necessary, we should institute a public works program to create jobs, much as was done in the days of the depression of the 1930's.

Despite the fact this program was much malined, the fact remains that many. thousands of people were given meaningful work. The results are with us today in many areas in the forms of roads, bridges, buildings, and other structures which have withstood the rigors of time. Many are of a quality better than we get today. Even the artwork resulted in contributions which are more and more appreciated. Now, with teaching, training programs, child care, and all of the other activities which have developed since the 1930's, there is no reason for work to be unavailable for all.

No, Mr. Speaker, what is proposed now is not welfare reform. Instead, it is a program which I fear will serve to further lock the welfare recipient into this undignified posture.

Let us not further make matters worse. Instead, let us seek ways to truly help the able-bodied on welfare to break out of the bondage of poverty and indignity through sound and helpful work programs.

Mr. CORMAN. Mr. Chairman, I yield to the gentleman from Florida (Mr. PEPPER) for a unanimous-consent request.

(Mr. PEPPER asked and was given permission to extend his remarks at this point in the RECORD).

Mr. PEPPER. Mr. Chairman, I commend the able chairman and the able members of the Ways and Means Committee for bringing to the floor this bill which I believe to be of immense significance to the country. I hope it will prove to be a good bill; that it will provide a better system of welfare than the one we now have; that it will more adequately meet the needs of the people of this country who have to have public assistance. I believe it will do so and we are assured by the distinguished chairman and members of the Ways and Means Committee that it will. This bill will require those able to work to work before they get welfare benefits under the bill, except, of course, mothers with small children. I have been concerned about whether there would be jobs—decent jobs—for those who would be required to work and I believe want to work. This bill provides 200,000 jobs. The bill provides that the Deparment of Labor would provide decent jobs for all those required to work under this bill before they get benefits. The Department of Labor and other departments and agencies of the Government are obligated to provide training for those not qualified to hold decent jobs to enable them to fill such jobs. I am assured personally by the chairman of the Ways and Means Committee that the Ways and Means Committee is going to follow closely the operation of this bill and the administration of it to see that the intention of the Committee and the Congress is carried out. I am personally assured by the chairman of the Ways and Means Committee that if the Government does not provide an adequate number of decent jobs for the people required to work as a condition of getting benefits under this bill, the Ways and Means Committee will initiate proper legislation to see to it that an adequate number of jobs are provided for the people who are expected to work as a condition of getting benefits under this bill.

There is added provision in this bill for increasing across-the-board social security benefits by 5 percent. That will help. That is not enough. The bill provides some additional benefits for the recipients of medicare; but not enough. But I am assured that the Ways and Means Committee is going to have hearings beginning soon involving the extension of medicare and social security. I hope then we will be able to improve both as they should be improved.

But the great significance of this legislation is not only what it provides but the fact that the Federal Government has taken over the prime responsibility for enacting an adequate and proper welfare system for this country. It will save my State $70 million a year. It will save my county and municipalities in my district money. We will see how it operates and if it does not achieve the objectives which we are seeking, then it will be the duty of the Congress to improve it and perfect it and not that of a hodge-podge of States and other authorities throughout the country.

I believe this legislation is monumental in what it does and in the hope it offers our country in the years ahead. For that reason I have voted against striking title IV, the welfare part of the bill, and I am going to support the bill.

GENERAL LEAVE TO EXTEND

Mr. CORMAN. Mr. Chairman, I ask unanimous consent that all Members may be permitted to extend their remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. ANDERSON of California. Mr. Speaker, I rise in support of title IV to H.R. 1, the Welfare Reform Act, not because I feel that it is the complete answer to our problems, but because I feel that we must abandon the old program which created generation after generation of welfare recipients, and, I hope that this measure will, instead, establish a program that leads to jobs.

The need for reform is obvious. The costs of welfare are getting out of hand, and are threatening to bankrupt some of our cities and States. From December 1960 to December 1970, welfare costs rose 36 percent. In 1 month—January 1971, payments to welfare families totaled $482.4 million—this represents a 40.5-percent increase over January 1970. And welfare rolls are getting longer and longer. From January 1970 to January 1971, two and a half million additional people became welfare recipients, thus making a total of 9.7 million on welfare.

Mr. Chairman, the present welfare system discriminates against the low-wage earner who is fully employed and attempting to support his family. Thou-

sands of families live on a lower standard than that which is provided for welfare recipients. Instead of rewarding initiative and hard work, the present system, in many cases, encourages a father to abandon his family so that they will be eligible for welfare.

The present welfare system promotes emigration to States and localities with more liberal welfare programs. Penalizing or rewarding families according to State boundary lines or geographical location has little or nothing to do with family needs and, in fact, penalizes the locality for offering benefits which are superior to a neighboring State. California, a State with comparatively high welfare payments, is a case in point. In California, the average family of four on welfare—with no outside income—receives $221 a month, whereas in Mississippi, the average family receives around $50 a month. As a result, a welfare recipient is encouraged to travel to California to take advantage of the higher benefits.

H.R. 1 is designed to correct these deficiencies, place people on payrolls and off welfare rolls, and allow a person to regain his dignity by providing for his family.

First, under H.R. 1, the Federal Government will take over welfare payments, thus consolidating administrative costs, and providing for a uniform payment to those eligible for public assistance. In fact, California governments will save $234.9 million, in the first year H.R. 1 is implemented. Chairman of the Los Angeles County board of supervisors, Warren Dorn, has stated that the—

> Preliminary analysis of this bill points to a considerable saving to the Los Angeles County property tax structure, which would amount to an estimated $150 million.

Hopefully, this savings will be passed on to the hard-pressed property owner by a reduction in property taxes.

Secondly, by providing uniform Federal payments, the needy will not be encouraged to move to States with higher payments. In fact, H.R. 1 permits States to reinstate residence requirements of up to 1 year before a person could be eligible for welfare.

Unlike the present welfare system, H.R. 1 encourages a family to stay together as a unit. And, for the first time, a deserting parent would be obligated to the United States for the amount of any Federal payments made to his family less any amount that he actually contributes by court order or otherwise. In addition, any parent of a child receiving benefits who travels in interstate commerce to avoid supporting his child would be guilty of a misdemeanor and subject to a fine of $1,000, imprisonment for 1 year, or both.

Third, under the programs proposed by H.R. 1, the employables will be separated from unemployables. If a needy family has a member who is capable of working or receiving job training, that family must register with the Department of Labor who will, in turn, train the individual to become a productive member of society. If the potentially employable person refuses to accept available employment, or if he refuses to receive job training, he will not be eligible for public assistance under the program.

On the other hand, if a needy family has no member who is capable of work or receiving training, then the Federal Government will step in and provide a two-member family with an amount of $1,600 a year.

Last, this measure will create 200,000 jobs in public service employment in areas such as pollution control, health care, education, and so on.

Mr. Speaker, I recognize the arguments presented by the opponents of this measure that "payment levels are going to be lower than under current law," that "the forced work requirement is a cruel form of punishment," and I do not agree with all of the points presented by the National Welfare Rights Organization, nor those presented by the Americans for Democratic Action. However, I feel that the welfare reform plan, as written in title IV of H.R. 1, is an important step toward fulfilling our national commitment on behalf of the unfortunate of our communities and that it does so in a way that will help the poor help themselves to achieve economic independence.

Mr. BOLAND. Mr. Chairman, I simply cannot comprehend the rationale behind the effort made here yesterday to throw this bill open to floor amendments. It eludes me entirely. An open rule on H.R. 1—making it vulnerable to amendments from the left and right alike—would mean its piecemeal destruction. Indeed, it would leave the bill multilated beyond recognition. Nor can I understand the movement to strike title IV in toto—to strip away all the welfare reform provisions now sought in the bill. This movement, however lofty its goals and however ardent its advocates, strikes me as nothing less than absurd.

The need for welfare reform is beyond dispute. And the reforms of H.R. 1, although they fall short of the perfection envisioned by their critics, are sound ones still. Neglected for decades, this country's welfare system has grown so chaotically that it is now almost ungovernable. The number of welfare recipients in AFDC alone now approaches a staggering 7 million, an increase of 50 percent—yes, 50 percent—over the past 2 years. Welfare payments vary widely from State to State, county to county, city to city. The South's cruelly small welfare payments are driving thousands of poor families North into our major cities, engulfing ghettoes already teeming with the poor.

Few work incentives exist. Generation after generation is caught up in welfare's vicious cycle, unable to break free. The costs of welfare inch upward year by year at a rapidly accelerating pace, driving some cities to the brink of financial ruin.

Certainly, Mr. Chairman, we must do something.

We must at least begin the reform that our welfare system so plainly and patently demands.

The problem is bewildering—even dizzying. But the reforms sought in H.R. 1's title IV constitute a workmanlike and straightforward approach to it. First, the bill would establish uniform national standards for welfare payments—a minimum of $2,400 yearly for a family of four even if they live in the most desolate county of Mississippi. This provision, needed for decades now, would help stop the migration from countryside to city.

Another significant provision—indeed, perhaps the most significant of all—would encourage working instead of shirking. It demands that all able bodied welfare recipients—even mothers with children over 6 years of age—must take part in a new job training and placement program. Called Opportunities for Families and administered by the Department of Labor, the program would put hundreds of thousands of people to work. It would break the grip our welfare system now holds on generations of the poor, giving them the simple dignity of helping earn their own incomes. Day care centers would be provided for the children of working mothers. And as many as 200,000 new government jobs—meaningful jobs, not makework jobs—would help answer this new labor force's most pressing needs for employment.

Still other provisions of H.R. 1 would grant welfare assistance to needy families with working fathers—giving such fathers a chance to work themselves out of poverty, instead of luring them into desertion so that their families can go onto the welfare rolls—and would tighten up welfare administration to prevent the malingering and cheating now so commonplace.

This legislation would work, Mr. Speaker.

It must be enacted.

Common Cause, the citizen action group headed by John Gardner, put it bluntly but accurately the other day:

> Despite its serious defects, passage in the House and subsequent correction of the defects in the Senate are the only way we will get any welfare reform at all now.

Welfare costs now reach past $14 billion a year—a sum that is largely an investment in futility. Without reform, the United States and its taxpayers will continue to squander billions on a system that breeds new evils and perpetuates old ones year by year.

The States most burdened by welfare costs—urban States like New York and Massachusetts—are now at the breaking point. My home State, Massachusetts, would save $44 million a year in welfare costs under the Federal assistance provisions of H.R. 1. It would be welcome relief, Mr. Speaker. Indeed, it would meet a need that borders on desperation.

It is time to face up to our responsibilities here in Congress.

The basic provisions of H.R. 1 must become law.

Before yielding, Mr. Chairman, I would like to say a few words about the other titles of this legislation—the ones granting social security benefit increases and liberalizing eligibility requirements.

Inflation has defied solution for years now, driving up the cost of virtually everything sold in the American marketplace. And nowhere has the impact been more harsh than on our elderly. Living on fixed incomes—often far below what the Government terms the "poverty line"—

the elderly are the real "forgotten Americans."

This legislation would provide them with a 3-percent across-the-board increase in benefits, a modest increase, certainly, but one that would be more than welcome. More significant are the provisions broadening eligibility requirements for social security and medicare. And, more significant still, is the yearly automatic cost-of-living increase. It is vitally important. It means that social security benefits will never again lag far behind the cost of living.

With permission, Mr. Chairman, I put in the RECORD a Washington Post editorial and letters from the AFL–CIO, the National League of Women Voters, and the Massachusetts League of Women Voters—all pointing out the urgency of H.R. 1.

Included herewith is the material referred to:

WELFARE: THE VOTE IN THE HOUSE

Since August of 1969 when President Nixon delivered his message calling for far-reaching reform of the nation's welfare program, the number of welfare recipients in the key and controversial AFDC category—families with dependent children—has risen by 50 percent or 3,441,000 persons. The figure was released by HEW on the eve of House consideration of H.R. 1, the administration's welfare reform proposal which has been revised by the House Ways and Means Committee and is now headed for a crucial House vote. Tempting as it is for those who wish to see H.R. 1 passed (as we do) to suggest that it will reverse this trend and substantially reduce the number of persons receiving welfare, such a suggestion would in fact be misleading. However HEW or other advocates of the bill choose to incorporate the unhappy statistic into their argument, its real relevance lies in the fact that so many more persons, notably children, are now subject to the chaotic and unfair and self-defeating terms of current AFDC programs. In that sense we genuinely believe the rise in the number of AFDC recipients since 1969 is a compelling argument for passage of Mr. Nixon's welfare reform.

The bill before the House, as we observed in this space a short while back, has been changed in some important respects from the versions under consideration in Congress last year—and not for the better either. Our principal, but not exclusive, objection is to the fact that unlike all versions of its predecessor, H.R. 1 does not require or sufficiently encourage the states to make supplementary payments to welfare recipients who could be substantially worse off under the terms of H.R. 1—worse off because they live in states now granting a higher combined federal-state payment than the federal payment provided for in the new bill. We were interested to see that this defect appeared to be the prime concern of Common Cause and its chairman, former HEW Secretary John Gardner too, according to a statement that the citizens' group put out:

"The administration has gone along on this retreat even though the President, when he introduced the Family Assistance Act, assured Americans now on welfare that in no cases would anyone's present level of benefits be lowered. Last year's bill protected present welfare families. Under H.R. 1 many families may be worse off than they are now."

We cite the Common Cause position not just because it happens to coincide generally with our own, but also because in the melee of last winter, when proposed welfare reform came under the crossfire from left and right that ultimately killed it for the session, it was that organization which endeavored with such good faith and good sense to work out the terms of a suitable compromise. We cite it, in addition, because the group, having studied the provisions of H.R. 1 and considered strategic goals and tactical possibilities, has reached the same conclusion we have namely, that H.R. 1 should be passed: "Despite its serious defects, passage in the House and subsequent correction of the defects in the Senate are the only way we will get any welfare reform at all now."

We agree with the sentiment and also with Mr. Gardner's assessment of what is so well worth fighting for in the legislation itself:

"The Federal Government will for the first time accept responsibility for financing a minimum level of payment throughout the nation. The Act provides help for the working poor, those fathers and mothers who may work full-time and still not earn enough to bring their families above the poverty line. It offers stronger incentives for those now on welfare rolls to seek training and job opportunities. National standards of eligibility will correct some of the present disparities between one state and another."

Equity and common sense, in our view, require that these important features be built into our public assistance law. In the long term, that is the only wise and practical way to respond to the dismaying news that millions of people have newly found their way onto the futility programs we now regard as "welfare."

THE LEAGUE OF WOMEN VOTERS
OF THE UNITED STATES.

Hon. EDWARD P. BOLAND,
House of Representatives,
Washington, D.C.

DEAR MR. BOLAND: The League of Women Voters of the United States urges you to vote *for passage* of the "Social Security Amendments Act of 1971"—H.R. 1—as proposed by the House Ways and Means Committee.

Under the proposed Rule for H.R. 1, a motion to strike Title IV would be in order at the end of floor debate. We urge you to vote *against* such a motion, or any move to recommit with instructions to delete or weaken welfare reform provisions.

Sincerely yours,
Mrs. BRUCE B. BENSON,
President.

LEAGUE OF WOMEN VOTERS
of MASSACHUSETTS,
Boston, Mass., June 21, 1971.

Hon. EDWARD P. BOLAND,
Rayburn Building,
Washington, D.C.

DEAR CONGRESSMAN BOLAND: The League of Women Voters of Massachusetts strongly urges that you vote against any measure to delete, recommit or water down Title IV of H.R. 1. League members feel strongly that the Federal Government bears a major responsibility for welfare reform and Title IV of H.R. 1 is a beginning. We are planning to work hard for improvements in the bill in the Senate. These improvements include—requiring States to maintain present benefit levels, to provide work programs for mothers with children over age 6, and to improve safeguards of work provisions. The League opposes any one year residency requirements.

To insure passage of minimum Federal welfare reform please vote against any measure to delete, recommit or water down Title IV of H.R. 1.

Yours truly,
MARGARET LYNCH,
Mrs. Charles E. Lynch,
President.
ELEANOR SEARLE,
Mrs. Campbell Searle,
State Welfare Chairman.

AMERICAN FEDERATION OF LABOR AND
CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D.C., June 17, 1971.

Hon. EDWARD P. BOLAND,
U.S. House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN BOLAND: The House of Representatives on June 21 and 22 will consider H.R. 1.

The Bill contains many substantial improvements for retirees; it extends health insurance under medicare to the totally disabled; but the central issue is—reform of the nation's welfare program.

The rule granted by the Rules Committee permits an up or down vote on Title IV—the provisions relating to Family Programs.

We urge passage of H.R. 1 as reported. We believe there are some defects in Title IV. However, the Title should be supported as a necessary first step toward uniform eligibility and Federal financing and administration of welfare. We will urge the Senate to make improvements.

Welfare reform is long overdue. We urge, therefore; that H.R. 1 be kept intact.

Sincerely yours,
ANDREW J. BIEMILLER,
Director, Department of Legislation.

Mr. MANN. Mr. Chairman, we are mightily engaged today in formulating another policy which will send the people back to work by giving them more welfare. However, I have not quite figured out how we are going to send the "working poor" back to work, or even to better jobs, and it is obvious to me that the designers of this legislation have not figured this out either. So, instead of addressing themselves to this problem, through, for example, programs which would match wages with inflation, it is proposed that we demean them by placing this 10 to 15 million people on the welfare rolls. And, human nature being what it is, their pride and their individuality will eventually succumb to the siren's song of "Everybody else is getting it—why shouldn't I?"

Mr. Chairman, there is another siren's song in this bill, one designed to catch larger game, yea, even the States of this United States. I refer to that recently devised, administration conceived, "king" of all gimmicks, the so-called "hold harmless" clause. Sometimes it seems that this country is on a one-way elevator. It can go up, but it cannot go down, in a gigantic one-way shaft with the American taxpayer payinig through the nose. The "hold harmless" clause made an earlier appearance in the administration's revenue-sharing proposal, concerning which it was said—

The administration recognizes that certain metropolitan cities have received greater assistance under the four predecessor categorical programs than they would receive automatically under the formula distribution. Most cities would receive more Federal development assistance under the formula distribution than they did under the predecessor categorical programs.

In order to protect investments made under those programs and to avoid destroying program momentum, the Administration has made the firm commitment that none of these cities will receive an entitlement from special revenue sharing which is less than the amount they received in the past year under the predecessor programs.

Have I heard right? Are these really the words of an administration which is

concerned about rising costs, inflation, and deficit spending? Or has the problem of inflation been superseded by the politics of getting a program accepted?

With respect to welfare, what the hold-harmless clause in H.R. 1 says is that no State will have to pay more in State funds than it is spending on welfare during this year. What it also means is that the Federal Government will furnish the money, 1.1249 billion of it, so that those States which have allowed welfare payments to get out of hand will be able to continue their astronomical payments, while other State taxpayers, whose State governments have been more moderate, will be helping to pay the bill.

Thus the effect of the hold-harmless clause in H.R. 1 will be to destroy the intent of setting up a truly national welfare system. Hold harmless against what, then? I suspect, Mr. Chairman, that it is against the challenge of forging truly new answers to meet old problems; perhaps it is even an attempt to change human nature. I suspect, Mr. Chairman, that the cost of this effort to the American people will soar and soar, and the only thing that will descend will be the spirit and incentive of the best of America's hope for the future, the men and women who will be working to pay the bill.

Time does not permit me to dwell upon all of the evils of this ill-conceived "guaranteed" condition in life promised by our Federal Government. However, I could not rest without expressing my concern about the direction that this bill propels our once independent American citizen, who forged in this wilderness an opportunity for those who were willing to work. For the helpless I stand ready to share. For the have-nots I stand ready to create opportunity. I must sincerely submit that the current bill does not fulfill these objectives.

Mr. HOWARD. Mr. Chairman, I have a feeling of emptiness and frustration as we prepare to vote on H.R. 1 today.

The welfare proposals in the bill, in my opinion, are not very good and I feel quite disappointed knowing that we should instead be voting on welfare legislation which would really be meaningful. But we are not.

Although I am extremely disappointed in this bill, I will vote in favor of final passage and against the motion to strike the family assistance program. I am doing this because I am firmly convinced that this is the best we can possibly do. If we strike title 4 out I do not think we have any chance of coming up with something better separately.

Quite frankly, Mr. Chairman, I do not think the Congress has met its responsibilities in the area of welfare reform. I think one can prove this point by watching the voting today and taking note that both the so-called far left and the so-called far right are voting together. One side wants no welfare legislation at all and the other wants much more than is being offered today.

There is no doubt in my mind that the Congress should take over all welfare payments. It would relieve the cities which are in the worst financial shape of a heavy burden, and it would permit us to make some dramatic improvements in this system which has failed everyone so badly.

A Federal takeover of the welfare system would be a much better answer to solving the problems of our cities and States than revenue sharing.

Mr. Chairman, as bad as the bill we have before us today is, it is still the first time that the Federal Government is seeing to it that there is at least a minimum level of payment throughout the United States. That is not much but it certainly is a step in the right direction. It is a step we must take.

I am aware that some well-intentioned groups want the bill separated in the belief and hope that we can get better legislation. They are completely justified when they express extreme disappointment in the contents of the bill before us today. But I do not agree with them that we should strike out title 4 or defeat the entire bill. If I felt that by doing this we could get a stronger welfare bill, I certainly would do just that. But my judgment tells me it is the bill before us today or nothing.

Mr. McFALL. Mr. Chairman, as the House presently has under consideration H.R. 1, I wish to bring to the attention of my colleagues an editorial that recently appeared in the Modesto Bee in my congressional district. The President now has on his desk for signature, S. 575, a well-thought-out measure designed to generate employment in areas of high unemployment. A noted economist recently defined unemployment as the major economic problem facing the Nation.

Mr. Chairman, I insert the Modesto Bee editorial at this point in the RECORD:

UNEMPLOYMENT, NOT WELFARE, IS MOST PRESSING PROBLEM FOR STATE, NATION

The continuing rise in unemployment, coupled with increased cost of living and inflation, has become the most pressing problem for California and the rest of the nation. Despite all the talk about welfare, that no longer is the No. 1 issue.

The reason is putting people to work at meaningful jobs—or keeping them there—should get first priority. Only in this way can the welfare rolls be stopped from rising.

While politicians have been promising welfare reform for years, talking endlessly about the great tax burden poor people place upon those fortunate enough to be working, the public's attention has been drawn away from the real tragedy—increasing joblessness.

The boost in unemployment is compounding the welfare situation. Latest government figures illustrate the problem. The nation's jobless rate moved back up to 6.2 percent of the U.S. work force in May. Jobless rates rose especially for construction workers and young women.

The unemployment rate for Negroes rose from 10 percent to 10.5 percent, highest in nearly eight years, while for white workers it went from 5.6 percent to 5.7 percent, the highest in nearly 10 years.

The rate for teen-agers edged up from 17.2 per cent to 17.3 per cent just on the eve of summer vacation when more will be seeking jobs.

The most serious part of the picture, however, is the fact more workers are out of a job for longer periods of time. The average duration of joblessness lengthened in May. The number of persons unemployed two or more weeks rose to the highest level since May, 1963.

Obviously, these people are exhausting their own resources, including unemployment insurance, and can turn only to welfare to keep their families from going under.

Paul A. Samuelson of the Massachusetts Institute of Technology and Pierre A. Rinfret of Rinfret-Boston Associates, Inc., recently defined unemployment as the major economic problem facing the country. Congressmen and legislators should take note.

Mr. DERWINSKI. Mr. Chairman, yesterday, along with many other Members, I supported the move to obtain an open rule on this bill so that a substantial effort could be made in the House to properly amend the bill before us. Since the debate yesterday centered primarily on the question of a closed rule versus an open rule, I take the floor at this time to discuss in greater detail the alternative to the family assistance plan which we would have offered had not the gag rule been imposed.

The amendment would have been the Curtis proposal which would apply the Nixon administration's concept of special revenue sharing to all welfare programs and put the States fully in charge of administering them. The bill was first introduced on June 10 by Senator CARL CURTIS, and introduced in the House on June 15 with 16 cosponsors.

It would dismantle the Federal welfare bureaucracy now located within the Department of Health, Education, and Welfare and transfer to the States the responsibility for determining what kind of welfare programs they will have, and the rules to be used in administering them.

The States would have to qualify for Federal grants of money only by putting up some of their own money in the form of matching funds, as they do now.

This bill is designed to return to the States the meaningful control over their welfare programs which Congress contemplated when the initial Federal laws were enacted.

There is no doubt but that the gravest problem facing State administrations today is the ballooning cost of welfare programs.

At the heart of this problem is the fact that the States, under current Federal programs, have little effective choice over the range and requirements which dictate the basic costs.

May I make note that President Nixon has pointed up the need to reverse the flow of power—to get more of the power of Government back into the hands of States and localities?

The Mills plan for federalizing welfare is a solution which goes exactly counter to the very essence of our federal system of government and to the President's fundamental reason for advocating revenue sharing.

Mr. Chairman, it would have provided the House with a reasonable alternative. It is developed entirely out of the President's thinking on special revenue sharing. It provides a way for the power to flow back into the States.

I believe the federalization of welfare as proposed in the Mills plan would render meaningless any further consideration of the entire concept of revenue sharing. The increasing Federal role in welfare through the years has escalated the welfare problem to its present crisis, threatening to bankrupt State governments.

Putting it quite bluntly, the States have been robbed of the authority and power to effectively determine the kind of programs which best fit the needs of their people.

Under HEW regulations, the States must do it Washington's way or there will be no money to do it at all. When this happens it often does not mean just the loss of matching funds for welfare payments. It means the State loses its moneys for programs of aid to the blind and the aged, for child care, for medical and rehabilitation programs.

May I remind the Members that in recent regulation disputes HEW moved to cut off Federal welfare funds to California, Arizona, Nevada, Oklahoma, and Nebraska?

I believe a State should have control over the level of State funds required to support welfare programs. Under the present system it has no such control. The Curtis bill would give the States that control.

Therefore, Mr. Chairman, it is my intention to vote to strike title IV from the bill, and join other Members in urging members of the Ways and Means Committee to bring back a bill consistent with the need for true welfare reform—emphasizing the points I have made here which embodies the principles of State control of welfare and revenue sharing.

Mr. McDONALD of Michigan. Mr. Chairman, I rise today in support of H.R. 1, the welfare reform bill. I do so not only out of my own convictions, but on behalf of the thousands of Michigan residents who overwhelmingly supported welfare reform in my recent questionnaire.

I share with many of my colleagues the thought that the present welfare system is failing the taxpayer. The runaway costs of a system which degrades people, destroys families, and has created a welfare dependency class, can no longer be tolerated. At the rate this program is presently growing, it will soon be too profitable for anyone to work.

There are staggering statistics which prove that we can no longer afford the present system. In 1951, Federal, State, and local government spent $0.6 billion for welfare; by 1961, that figure had escalated to $1.1 billion; and by 1971, to nearly $5 billion. By 1975, it is estimated that this system will cost the taxpayers $9 billion.

But statistics are cold and ruthless, and make no mention of the suffering and heartache of a family which has neither the hope nor the opportunity to get off the welfare rolls. And I am as concerned with alleviating that sort of hopelessness as I am with saving money.

Hope, and opportunity are two key forces which combined to make this country a model for all others to follow. Our free enterprise system of government made it possible for a new nation, filled with hard-working people, to outproduce every nation on earth in just a little more than a century. We opened our doors to the poor and the uneducated, and made them comfortable and literate. We helped them to help themselves, and we gained a position of leadership on this globe that has not yet been challenged.

There was really no magic to achieving that position of leadership. Work equals production equals wealth. There are more than 2.5 million families now on welfare of some sort, most of whom would welcome the opportunity to participate in that formula and become a shareholder in America. H.R. 1 offers them the opportunity to move from the relief rolls to the payrolls.

It begins the transition by offering training in addition to a modicum of financial support. Assistance payments to a family would decline gradually so there always would be an incentive for working recipients to continually increase their earnings.

And the requirement that all employable persons accept the training and work options made available to them is a tremendous benefit to not only the welfare recipient but to the working taxpayer.

It is the fairness of this legislation which also appeals to me. The transitional assistance offered trains people for permanent employment and will not displace regular workers. There is no benefit in splitting a family, and substantial penalties if an employable recipient refuses training or employment.

It is this approach that is so important to making the transition from State-supported to self-supporting. I am not suggesting that this is the final or perfect solution to the welfare problem. But it is a major step forward in offering assistance to the hundreds of thousands of Americans who are merely spectators of the free enterprise system, and want to become participants. We have the opportunity in Congress of passing this bill, and restoring pride and dignity to millions of Americans, or of rejecting this reform and condemning those millions to a way of life that is marginal at best and defies description at its worst.

I intend to support this legislation because it is an improvement over the present system; because it will mean a financial savings to State and local governments, and, most importantly, because it restores to many Americans the honored traditions of hope and opportunity, of self-help, and the chance to reach for a quality of life that up to now has not been available to them.

Mr. JAMES V. STANTON. Mr. Chairman, I would like to address myself to that portion of H.R. 1 which will probably receive the least amount of attention in these discussions—the provisions that deal with social security. Such inattention to social security legislation would be consistent with the past conduct of the Congress, for over the years we in this body have been content merely to praise the program and expand it without thought, rather than to give it a critical examination. I would contend that as a result, we have deceived ourselves and the public as to the nature of the social security program, and the way in which it works. Furthermore, I would contend that this deception has taken place at the expense of both the middle income wage earners, and those citizens who now receive social security benefits.

As a first step in the evaluation of social security, we must ask ourselves, who pays? Who bears the financial burden of this program? The payroll tax that finances social security is a highly regressive one, which results in the middle income wage earner bearing the brunt of this program's costs. The Congress has in the past steadily increased the rate of taxation, and the proopsal now before us would over the next few years almost double the tax on the wage earner making $10,000 per year, increasing it from $405 to $755. This figure does not take into account any increases which might come about because of the rise in the cost-of-living provision which is included in the bill.

That portion of the payroll tax which is intended to spread the financial burden more equitably throughout our society, the employer's contribution, actually operates to the further detriment of the wage earner. Studies by the Brookings Institution have shown that the employer would put these funds into the paychecks if he did not have to pay the tax.

Having established that the program is financed mainly by the middle-income wage earner, we must now turn to a broader examination of the nature of the social security system. Since the time of Franklin Roosevelt, it has been argued that this program is and should remain an insurance plan, in which benefits are distributed to the recipients as an earned right, rather than as a welfare payment. Workers pay into the trust fund during their productive years, it is said, and during their retirement they receive back what they have paid in, plus interest. However, the fact is that the program does not operate in this way, but rather each working generation finances the benefits paid to the currently retired. The amount of money contributed by the present beneficiaries in their working years does not now cover the costs of their pensions. Estimates are that the beneficiaries receive in a year and a half or less an amount of money equal to what they paid into the system.

Many of today's retirees reached the retirement age in a few years after their job was covered by social security, and so they had little opportunity to contribute to the fund. Similarly, the standards of eligibility for such groups as the blind and the disabled have been made quite liberal so that maximum coverage could be obtained. H.R. 1 grants further relief to the needy by establishing a new special minimum payment for those who have worked for many years at a low paying job. Thus many have been made eligible for social security benefits not because of the amount that they have contributed to the system, but rather because of the Government's responsibility to meet the needs of those who

cannot adequately provide for themselves.

Because social security contributes to the achievement of certain important national goals, such as aid for the aged, survivors, and the disabled, the burden of the financing should fall in some measure upon the population in general, and not solely upon the middle income wage earner. We should now give serious consideration to employing general revenues obtained through the income tax to finance social security. Several proposals for this purpose have been advanced, and the authors of these state that not only will we be able to grant tax relief to middle income families through such a measure, but also we will be able to substantially increase the level of benefits for the retirees. Using general revenues, we could begin to determine the level of benefits according to the needs of the retirees for an adequate standard of living, and end the practice of setting benefits to correspond with the intake obtained from the payroll tax. Equally important is that through such a program we would be granting a measure of tax relief and tax justice to the worker and wage earners who are so very deserving of greater consideration from their Government.

Mr. FULTON of Tennessee. Mr. Chairman, the legislation which we consider today is one of the most important measures reported during my four terms as a member of the House Ways and Means Committee.

To begin, a tremendous amount of credit and appreciation is due our distinguished chairman, the gentleman from Arkansas, for his patience, perseverance, and persistence to bring to the floor a bill which is not only an improvement for the social security program but one which attempts realistically and positively to reform our currently chaotic welfare and public assistance programs.

Portions of this legislation represent more than 2 years of honest and often weary effort. Each member of the Ways and Means Committee has contributed to this effort and each is to be commended.

The social security benefit increases in this legislation are particularly impressive because taken in toto they equal a 19 to 21 percent increase across the board according to the estimates of the committee staff and the Secretary of Health, Education, and Welfare.

As the chairman has reminded us, some consider these to be the most important set of amendments to the Social Security Act since its inception in the 1930's.

I will not attempt to detail these improvements as this already has been done thoroughly by Chairman MILLS.

However, I would like to say that I am particularly pleased with certain of these amendments because they help to alleviate some of the greater inequities which I feel have been in the program.

There is the 5 percent benefit increase which is most important. I only regret that it could have not been more.

There is the relaxing of the earnings limitation from the present $1,680 a year to $2,000.

While I firmly believe that this limitation should be removed entirely it was pleasing to see the committee write this increase of nearly 35 percent.

For widows this legislation corrects a longstanding inequity by providing a 100 percent survivorship benefit to replace the current benefit of 82½ percent.

There is a new special minimum benefit to help the long-term low paid worker.

Another provision provides that the age upon which benefits are computed for men will be reduced from age 65 to 62, the age which now is used for women.

Under this bill persons who delay retirement beyond age 65 will receive a higher benefit.

For persons claiming a disability benefit the waiting period is reduced from 6 to 5 months and it is my hope that in the future we will be able to reduce this period to no more than 3 months.

These and many, many more amendments—some 43 in all—are designed to improve the cash benefits program.

There are also some 58 amendments, too numerous to mention one by one, in the medicare and medicaid program also designed to improve and strengthen these services.

Title IV of this bill is particularly important, as important to many as it is controversial to others.

As our chairman has pointed out, title IV is a very conscientious effort to improve the public assistance and welfare programs which today are held in illrepute by recipients as well as the public at large.

Undoubtedly there are sections in this bill which are not to the liking of some, perhaps many, Members of this body. Some changes which have been made in the name of "improvements" may well appear to some as further intensifying the evils which they feel exist in the present system.

However, it should be emphasized that the alternative to the provisions within this section, title IV, is continuation of the present welfare system as it exists today.

This body last year demonstrated its belief in the need for welfare reform by voting similar legislation by a substantial margin. Unforunately that bill expired for lack of action in the Senate.

Particularly pleasing to me are the realistic work incentives which this bill has included for individuals on welfare. They are designed to provide help in this direction for those who are in a position to avail themselves of training while not penalizing others who are not.

The section of the bill before us today is not going to be satisfactory to everyone. For some it is too strong. For others it is too weak. However, to the vast majority of your committee and, hopefully, to the Members of this body, it is a workable and significant improvement over the chaotic and patchwork welfare program which we find ourselves and its recipients bogged in today.

Mr. Chairman, I support this legislation and respectfully urge its adoption by the House.

Mr. BRINKLEY. Mr. Chairman, two newspaper articles provide perspective to H.R. 1, the so-called welfare reform measure. The first article which follows from the Washington Post gives some insight into the thinking of HEW officials in the Nixon administration concerning the "work suitability" requirement:

[From the Washington Post, June 16, 1971]

WELFARE REFORM FACES SEPARATE VOTE IN HOUSE

The House Rules Committee sent the welfare-Social Security bill to the House floor yesterday with a provision permitting a separate vote on the welfare reform section.

Complex bills such as this usually go to the House under a rule barring floor amendments. Chairman Wilbur D. Mills (D-Ark.) of the Ways and Means Committee wanted the usual closed rule because the welfare section—opposed by conservatives as too much and by some liberals as too little—is considered vulnerable.

But Mills was confronted with the prospect of the bill being delayed in the Rules Committee for weeks unless he agreed to the request of Rep. William M. Colmer (D-Miss.), Rules Committee chairman, that opponents be given a chance to try to strike the welfare provisions.

Mills apparently decided he had the votes to keep welfare reform in the bill and agreed at a Rules Committee hearing yesterday to the separate vote. Since the entire bill is supported by the administration, a considerable number of Republicans should vote to keep welfare reform in the bill.

The welfare section would set uniform federal welfare payment for the poor—$2,400, a year for a family of four—and would require able-bodied recipients to register for job training and employment.

The bill also provides for a 5 per cent increase in Soical Security payments and other improvements in the program.

In a related development, Health, Education and Welfare officials said yesterday that they favor liberalizing the welfare bill in the Senate.

Robert Patricelli, HEW deputy undersecretary, said the administration would support a move requiring states to maintain at least their present level of welfare payments.

But Patricelli stressed that the administration opposes making any changes in the House committee bill on the House floor.

Patricelli's comments came after a debate yesterday before 300 HFW employees at which Patricelli and HEW official John Montgomery called the bill a "reform" while George Wiley, director of the National Welfare Rights Organization, said it represented "repression."

Wiley stressed that the bill does not require states to maintain present benefit levels. As a result, he said, welfare recipients in 46 states might receive less from the new welfare plan than they do now from a combination of welfare and food stamp aid.

During and after the debate, Montgomery and Patricelli acknowledged that the $2,400 federal support level for a four-member family was not sufficient to provide a minimally adequate income.

Both said they would under favorable political circumstances, approve requiring states to maintain present benefit levels. "We're for a bill that can survive and get 51 Senate votes," said Patricelli in an interview. "It will be a matter of tactical judgment."

The HEW officials said they also favor Senate changes to:

Require work only of mothers with children age 6 and older, rather than age 3 and older, as provided by the House committee bill.

Place greater safeguards in the bill's "work requirement" so persons could not be forced to accept work "not suitable" to their abilities and circumstances.

Forbid states to reimpose one-year state

residency requirements to qualify for welfare.

The second article from the Evening Star, of Washington, editorializes the thinking of another school of thought. It favors the guaranteed annual income provision and, even before House consideration, advocates at a future date an even larger annual income for those able-bodied persons who do not choose to work. The article follows:

[From The Evening Star, June 21, 1971]

WELFARE REFORM TEST

Congressman Wilbur D. Mills has lost a skirmish which, if worse comes to worst in House voting tomorrow, could mean the loss of the whole welfare reform battle. He has failed to bring the welfare legislation before the full House under the "closed rule," which would have made it an inseparable all-or-nothing package when the roll-calling begins. Instead, there will be a separate vote on whether to retain the Family Assistance Plan or strip it out of the welfare measure produced by Mills' Ways and Means Committee.

The FAP is the innovative lode without which the bill would have no claim to distinction. Mills says he isn't worried about the outcome, and we hope he is justified in that confidence. Some other observers foresee a close vote and possible defeat for the FAP. Conservative forces opposed to the idea of a "guaranteed annual wage" are rallying against the plan. They won a notable victory when the House Rules Committee decided by a four-to-one vote not to accede to Mills on closed-rul· voting.

Of course there is much to be said against the concept of closed rule, which allows some outrageous measures to slip through Congress because they are tacked onto virtuous bills. But the intent in this case isn't to reform the workings of Congress—it is to defeat the most important piece of domestic legislation which will be considered this year.

Mills' committee put together a bundle that, for political and other reasons, must be irresistible to most congressmen if taken as a whole. It includes welfare reform, a hefty Social Security benefits hike and improvements in Medicare. It is a shame that it should be split asunder so that a shot can be taken at the heart of the welfare measure, which is the product both of the Nixon administration and some leading Democrats in Congress.

And it is particularly regrettable that there will be only one vote—for or against the FAP as it is envisioned in the Ways and Means-approved bill. There will be no chance to compromise and amend in floor action, even though opinions are sharply divided. To hard-line conservatives, any income maintenance at all is philosophical poison. To many congressional liberals, the $2,400 income floor for a family of four proposed in the welfare bill is so low as to be insulting. So the conservatives are hoping to be joined by enough unsatisfied liberals to put family assistance under the sod.

That would be a strange victorious coalition indeed, and we hope the liberals will not be sucked into it. The proposed income assistance is meager, but there will be opportunities later to raise it if the House approves the legislation at hand. More important," the FAP is the only hope in sight for a chance to straighten out the welfare system which has become a national disaster.

Those criteria are certainly the dimension of an open ended, guaranteed annual income without any genuine, across-the-board work requirements.

Also, proponents of the measure who assert that the Federal takeover will immediately result in a savings to the States equivalent to their normal welfare, base expenditure, err. The "State" is its people, and how could it get relief when its people still foot the bill? Does a rerouting of tax money from the State treasury to the Federal Treasury result in a savings? I think not. The argument of a savings is as ludicrous as the story of a man needing a blood transfusion who, in the absence of a donor, is compelled to give blood from his right arm for transfusion into his left, with a 29-percent loss in the process.

To build the most modern highway possible with a 1-mile "mud puddle" connector, would reduce the efficiency of the highway to the mud puddle.

Here we have at least three mud puddles. The work suitability loophole: the forewarned prospect for annual escalation of guaranteed payments; the deception that the citizen is not paying for it.

Mr. Chairman, I cannot in good conscience support a measure I do not believe to be in the long-range public interest and, therefore, for the reasons outlined above, plan to cast my vote against H.R. 1.

Mr. PODELL. Mr. Chairman, this week, we are called upon to consider one of the most complex bills ever brought before Congress—H.R. 1, the Social Security Amendments of 1971. In its printed version, H.R. 1, also known as the welfare reform bill, is 687 pages long. The very thorough report on H.R. 1 provided by the Committee on Ways and Means is itself 386 pages long.

I will not attempt in this one statement to summarize all of the social security amendments. A task of such herculean proportions would only be a waste of time. For, in just the last 2 weeks, volumes of analysis have been written about the entire welfare reform proposal.

However, as a Representative of one of America's greatest urban centers, I must speak for several thousand Brooklynites who will be directly and vitally affected by this bill. Therefore, I take this occasion to discuss certain provisions of H.R. 1 which are most essential to my constituents.

The first sections of H.R. 1 deal with improvements of the social security system.

Under this bill, all social security benefits are increased by 5 percent as of June 1, 1972.

Perhaps even more important, there will be instituted a system of cost-of-living increases for all benefits.

Such a plan provides that each year the Consumer Price Index increases by we must insure that social security payments will increase by an equal amount.

I wholeheartedly support both of these reforms. If social security is to become an effective means of providing for the aged, the infirm, and the needy, we must insure that Social Security payments will keep up with the ever-rising cost of living. Under the existent setup, social security recipients are forced to live on a Federal assistance scale totally out of step with contemporary wages and prices. The introduction of cost-of-living adjustments is a long desired measure that will provide many Americans with a far more realistic, adequate standard of living.

The social security reforms of H.R. 1 are obviously not very controversial measures. All fairminded legislators have realized that the rate of social security benefits needs updating. The time is long due that we act accordingly.

However, another sector of the welfare reform bill—the family assistance plan—has generated a considerably greater amount of controversy.

FAP, officially designated as title IV of H.R. 1, entails a complete revision of the welfare system.

The existing welfare program, known as aid for dependent children—AFDC—allows each individual State to set its own standards of eligibility for welfare. In addition, each State has the power to establish its own scale of benefits. Thus, eligibility standards and payment rates differ widely from State to State. This inequality places a tremendous burden on the States which are most concerned with solving the problems of the needy. New York, for example, pays $4,314 yearly to each family of four that requires assistance. This amounts to a total of almost $1.5 billion. The Federal Government assumes only 50 percent of the cost of this huge bill. Meanwhile, the taxpayers of New York State must groan under the burden of the remaining $750 per year.

On the other hand, States which completely disregard their needy are aided and abetted by AFDC. Mississippi, which grants only $1,920 yearly for a family of four—less than half of the federally established poverty level—spends under $100 million a year in welfare payments. The Federal Government rewards this negligence by paying a whopping 83 percent of Mississippi's bill, leaving the State government with a tab of only $16.8 million; less than 3 percent of the sum New York must pay.

Such inequality cannot be tolerated. A federally standardized and administered scale of welfare benefits must be established. It is imperative that the National Government assume a greater share of State welfare costs. It is equally urgent that all States are made to adequately provide for their needy.

Perhaps the most positive feature of H.R. 1 is that AFDC is repealed, and in its place are substituted national standards of eligibility and benefit levels.

Under this new proposal, the total welfare budget for New York will be approximately $1.8 billion next year. However, 63.2 percent of that sum will now be subsidized by the Federal Government. The amount of $660 million will remain for the State to pay. When other auxiliary benefits of H.R. 1 are included, New York State will emerge with a savings of over $188 million yearly.

Mr. Chairman, for several years, I have actively supported all of these reforms. The AFDC program has proven to be virtually a complete failure. Rather than providing a means for the needy to better themselves, a vicious cycle has been created in which recipients find them-

selves unable to become self-sufficient. Work incentives are nil. Families are brutally split apart, since the presence of a father eliminates a family from eligibility for AFDC. The breadwinner who is fully employed, but cannot earn enough to support his family is likewise excluded under AFDC.

FAP makes an attempt to correct these obvious injustices. In addition, FAP provides welcome fiscal relief for the heavily-taxed New Yorker, who until now has had to pay an absurdly disproportionate share of the national welfare budget.

However, Mr. Chairman, it is also necessary to point out that there are several negative features of FAP. Foremost among these is the disgracefully low level at which the benefit rates have been fixed. An amount of $2,400 is provided by the Federal Government to support a family of four. The sum of $3,600 is allowed for a family of eight or more. This sum is $1,600 below the official poverty level of $4,000. It is $4,100 under the $6,500 yearly level indicated by the Department of Labor as the minimum amount needed for a family to subsist at a decent standard of living.

Soon after we consider H.R. 1, Congress will debate H.R. 7257, a bill which replaces the $2,400 yearly rate with the $6,500 figure. I will strongly support this measure, which is essential if we are to provide a decent existence for those on aid, until they are able to become self-supporting.

I would also like to bring to attention of my constituents several "hidden" expenses which New York will incur as a result of the less publicized features of welfare reform.

Included in FAP is a complex program in which at least one able-bodied person—if there is such a person—in each family receiving assistance must register for job training. However, due to certain overly severe mandatory work provisions, all women who are heads of families and have little children over 3 years of age will be forced to register for training. H.R. 1 authorizes only $750 million to build the child care centers necessary for the supervision of these young children. Clearly a far larger sum will be needed to provide for the millions of youngsters affected by this statute. The individual States will be forced to pay all costs over the level prescribed by H.R. 1.

H.R. 1 further authorizes $800 million to provide public service employment for 200,000 welfare recipients who have completed job training. There are 23,503,300 such eligible people, 2,067,200 in New York alone. Again, the individual States will have to pay the price of finding jobs for all those the Federal Government will be unable to employ. In New York this will amount to almost 2 million jobs.

Finally, H.R. 1 authorizes only $540 million to provide job training for over 25 million eligible men and women. This figure is outrageously inadequate. If we are to find meaningful employment for all of the currently eligible welfare recipients, New York State will once again have to foot a huge bill to pay for all the necessary job training.

Unfortunately, H.R. 1 is now before the House under a closed rule. Thus, Congressmen will not have the opportunity to propose amendments to eliminate some of the more inequitable aspects of the bill. Therefore, I am faced with the dilemma of deciding whether or not to vote for a bill which contains several urgently needed measures as well as several highly repugnant features.

Many of my colleagues will vote against the family assistance plan arguing that its inadequacies render the entire bill ineffective. I can not go along with this reasoning. Despite their shortcomings, H.R. 1, and the family assistance plan are vital steps in the right direction. Therefore, Mr. Chairman, I plan to vote in favor of all titles of H.R. 1 hoping that in the very near future, my colleagues will join me in acting to bring about a totally federalized welfare program, with an adequate minimum income level provided for all individuals and families.

Mr. REUSS. Mr. Chairman, H.R. 1, despite its defects, makes significant improvements in both the social security system and the welfare system. I shall therefore vote to retain title IV—the welfare reform title—and for the bill as a whole.

The major changes in social security made by the bill—a 5-percent across-the-board increase, an increase in the minimum monthly benefit, and a provision for automatic cost-of-living increases—are long overdue. I do have reservations about financing these increases out of the payroll tax, which falls most heavily on low and moderate income wage earners. It would be more equitable to pay these increased costs out of general revenues.

Title IV of the bill—the opportunities for families program and family assistance plan—presents us with a hard choice. It establishes the framework for a significantly improved welfare system. It also contains a number of regressive features. I am troubled by the inadequate level of benefits, the omission of a guarantee that no welfare recipient will be worse off under the new system, the meager fiscal relief provided most States, and work requirements that will provide more work for bureaucrats than welfare recipients.

However, on balance I think these deficiencies are outweighed by the reforms made by the bill. Establishing a Federal floor for benefits, along with uniform eligibility rules and Federal administration, takes us a long way toward full Federal responsibility for welfare. In a society as mobile as ours, this is as it should be. Treating welfare as a local or State problem is unfair to the recipients in low benefit States, and unfair to the taxpayers in States which pay high benefits.

There will be an opportunity in the Senate to correct some of the deficiencies in H.R. 1. I hope this can be done and that the bill will come back to us with a reform of the welfare system that is more than just a halting first step.

Mr. ASHLEY. Mr. Chairman, I rise to support title IV, the welfare provisions of H.R. 1.

I must admit that I support title IV with mixed feelings, because—despite the compelling need to reshape our basic welfare system—I believe the legislation would help perpetuate some dangerous myths about who the poor are and because there simply is not enough money in the bill to do the job.

Every study ever done on the subject explodes the myth that the poor do not want to work, that they are able-bodied loafers. The fact is that 15 million of the 25 million poor people in this country are either under 18 or over 65, and 90 percent of the physically able-bodied adults in poor families with children are already working—cleaning bedpans and anything else they are permitted to do in order to scrape out a living and stay off welfare. The real problem is that they simply are not earning enough to bring them above the poverty level.

Clearly what is needed are work opportunities as well as work requirements. With unemployment at 6.2 percent, the jobs that this bill would create just are not enough. If this welfare reform is truly to help people and not to discourage them further, then we will have to provide more jobs and more job-connected training programs.

With respect to the question of the level of payment, $2,400 is just not enough money to support a family of four at the subsistence level—in fact it is some $1,400 below the poverty level in most States. But even more important than the inadequacy of the figure is the fact that the bill fails to require the States to maintain their present benefit level, nonetheless to increase it. This could be very simply remedied by adopting last year's provision requiring the States to mainain the present level and hopefully the Senate will do so.

Despite these serious shortcomings, I feel compelled to vote for the bill because, on balance, I think it helps point us in the right direction.

The present system is collapsing under increasing welfare rolls and the accompanying skyrocketing costs. The chances of these people getting off welfare is limited by three factors. First, in most States, a family cannot receive welfare if there is a man living in the house, thereby forcing many husbands to desert just to give their families a chance to survive. Second, the present system does not cover the working poor, thereby creating economic disincentives and fostering social divisiveness by making it possible for the income of some aid recipients to exceed the income of low earners of the same family size. And, third, the variation in benefit levels from State to State creates obvious inequities and has led to unhealthy skewed migration patterns which have not helped the poor and have hampered the efforts of large cities to deal with the problems of poverty.

The bill before us today would eliminate these serious inequities. It would add 9 million more poor people to the rolls, including 5 million children in working poor families. By aiding the working poor and not requiring the man to be out of the house in order for the family to receive benefits as well as putting a Federal floor under welfare pay-

ments, the legislation would encourage family stability and the chance for people to get off welfare.

Moreover, States weighed under by the huge costs of welfare are beginning to roll back benefits. So far, at least 14 States have reduced or soon will reduce their payment levels, including my home State of Ohio; so it is essential that we establish the principle of a minimum payment now, on a basis that offers far greater hope that many current welfare families will have access to suitable job opportunities that in time will lead to self-sufficiency.

While some might question the cost of even this limited Federal effort, it is clear that these costs are far less to the society than the costs of paying for the products of poverty—the criminals, the addicts, and the lifelong dependents.

In short, despite a number of serious reservations, I think title IV will be a first step toward ending the debilitating aspects of the present welfare system.

Mr. MINISH. Mr. Chairman, like most involved, complicated legislation which comes before the House, H.R. 1 is a mixed-bag. Its numerous provisions deal in various, sometimes far-reaching, ways with social security, medicare, medicaid, welfare, and taxes. Some sections of the bill represent great improvements over present law and are clearly deserving of swift enactment. Other parts of the measure simply apply a bandaid where major surgery is called for. Still other provisions illustrate the degree to which compromise is always present in momentous legislation.

Title I of H.R. 1 involves social security. The bill would increase benefits to social security recipients by 5 percent effective in July of 1972. Welcome as this increase will be to our Nation's senior citizens, it is still only a meager amount when measured against the need.

A recent study has disclosed that one of every four Americans 65 years of age and over is forced to live at or below a poverty-level income. This distressing survey, by the Senate Special Committee on Aging, also found that both the number and the proportion of aged poor have been growing in recent years.

The legislation before us does contain an automatic cost-of-living increase provision—a concept which I have long advocated and sponsored legislation to implement. Under the cost-of-living mechanism in H.R. 1, social security beneficiaries would receive a yearly benefit boost equal to the rise in the consumer price index when that index exceeds an annual rate of 3 percent. The provision would take effect only when Congress fails to enact an increase of its own during the same year.

Mr. Chairman, we should keep in mind that an automatic cost-of-living mechanism, while valuable, does not result in a real improvement in social security payments. It merely holds the line for older citizens in an inflationary economy. The enactment of this provision, therefore, should in no way preclude the need for periodic general increases in social security benefits by the Congress.

The cost-of-living mechanism would also apply to the amount of money a person may earn while receiving social security without losing benefits. Additionally, the retirement test is liberalized by H.R. 1 to allow unpenalized earnings of up to $2,000 per year for persons under the age of 72.

Other major changes in the social security law under H.R. 1 include: entitlement of widows and widowers to 100 percent of the amount their decreased spouse would receive if he were living; reduction in the waiting period for disability insurance payments from 6 months to 5 months; a special minimum benefit for persons who have worked under social security for 15 years or more; the right for working married couples to compute their benefits on the basis of combined earning if this method results in higher payments; liberalization of disability requirements for blind persons; and reduction, over a 3-year period, in the computation point for men from age 65 to 62.

Under the medicare section of H.R. 1, coverage would be broadened to include for medicare benefits those persons who are entitled to disability payments from social security providing they have been disabled for at least 2 years. This provision is in line with legislation I have sponsored and is a significant step towards providing all our citizens with health security.

Another important feature of the medicare section of H.R. 1 would prohibit increases in premiums for medicare part B unless there is a parallel increase in social security cash benefits. Moreover, aged persons would be automatically enrolled for supplementary medical insurance unless they indicate they do not desire such coverage. Presently, an individual must sign up for the supplementary insurance program within 3 years of first becoming eligible.

I am disappointed that the committee did not see fit to include the cost of presciption drugs for the elderly under the medicare program. Americans over the age of 65 presently spend three times as much as drugs as younger persons. The health bill in 1969 for the over 65 group averaged $692—two and one-half times that for the 19-to-65 age bracket, yet medicare currently pays less than half the health costs of the elderly.

Among the tax changes in the legislation is one which would increase the allowable child-care deduction from $600 to $750 for the first child and the maximum from $900 to $1,500. Additionally, the income limitation for a couple wishing to claim the deduction would be raised from $6,000 to $12,000. Hopefully, this section is just the first step toward more comprehensive child-care legislation to come later in this Congress.

The bill also modernizes the retirement income credit. The maximum amount for computing the 15-percent credit would increase for a single person from $1,524 to $2,500. In addition, the exempt earnings limitation under the law would be liberalized to correspond to the new retirement test for social security beneficiaries.

Title IV, which deals with reform of our welfare system, is the most controversial portion of the Social Security Amendments of 1971.

Ideally, I favor complete federalization of our welfare system. I initiated legislation to accomplish this objective in May of 1969 and reintroduced the same measure on February 1 of this year.

Under my legislation, aid to families with dependent children—the largest and fastest growing program of public assistance—would be converted to a wholly Federal program, administered by locally based agencies under federally prescribed terms and conditions including national minimum standards. The cost would be fully borne by the Federal Government.

Initially under this plan, the existing State formulas for determining assistance levels would be adopted and applied by the Federal Government. However, in no case may the benefits to any recipient be less than the national average benefit at the time the legislation is enacted. Such an approach will result in a significant lessening of the disparities which currently exist in ADC payments among the various States.

The net effect of this provision will be to maintain the reasonable benefit levels established by many States, including New Jersey, while increasing to a decent level the pitifully low payments which millions now receive in some States. Additionally, a mechanism is provided for periodic review and increases in benefits as dictated by the cost of living.

Welfare expenditures today are becoming an unbearable burden to local and State governments and their hard-pressed taxpayers particularly in urban areas. Nationally the number of ADC recipients has risen from 3,023,000 in 1960 to more than 10 million today. In my own State of New Jersey, ADC beneficiaries have skyrocketed from 72,314 in 1962 to over 400,000 in 1970. Essex County, in which my congressional district is located, has been especially hard hit by rising welfare costs. One-quarter of the State's welfare recipients reside in Essex and the county welfare budget has grown from $3 million in 1958 to approximately $20 million this year.

The legislation before us today would not go nearly as far toward a national welfare system as my measure, but it does represent, nonetheless, a substantial improvement over and a fundamental change in the present chaotic welfare system.

With respect to the adult assistance programs, aid to the aged, blind, and disabled would be replaced by a completely new Federal program in July 1972. Administered by the Social Security Administration, this innovative program would create new benefit levels set at $130 a month for individuals and $195 for a couple, both of which would climb to $150 and $200, respectively by 1975. States would be permitted, at their own discretion, to make supplemental payments over and above the Federal standard.

Title IV would repeal the present program of aid to families with dependent children and institute two new Federal

programs on July 1, 1972. The new programs would be adopted for a period of 5 years in order to give Congress an opportunity to review their operation before continuing them in subsequent years.

Families in which at least one person is employable would be enrolled in the opportunities for families program administered by the Department of Labor. Under this program every person who registers would be required to participate in manpower services or training and to accept available employment. Child care would presumably be provided for registrants in need of this service.

Eligible families with no member available for employment would be enrolled in the family assistance plan administered by the Department of Health, Education, and Welfare.

Eligibility for and the amount of benefits would be identical under both programs. Family benefits would equal $2,400 per year for four persons with no other income. Work incentive earned income exclusions would permit a family of four to earn up to $4,140 per year before losing its Federal supplement completely.

States could supplement Federal payments, but they will receive no assistance from the Federal level for this purpose. This is a serious shortcoming of H.R. 1. If the bill clears the House in its present form, the Senate should surely consider adding a provision calling for Federal funding of a substantial percentage of State supplemental payments.

The work and training provisions of the measure are laudable in their goal of finding employment for welfare recipients. In reality, however, the number of recipients affected by these provisions is small and given the present state of our economy, the number of available jobs may be even smaller.

Savings to the larger, highly industrialized States will be relatively minimal under H.R. 1. New Jersey, for example, will save about $50 million at the most by fiscal year 1973—less than a quarter of its anticipated cost.

On the plus side, H.R. 1 does provide assurance that State welfare costs will not continue their severe escalation. Starting next year, the Federal Government will pick up the tab for additions to the welfare rolls. Thus States may, in general, look forward to stabilization of welfare costs at this year's level.

The bill also is likely to result in Federal administration on welfare and does establish, for the first time, the principle that each American family is entitled to a minimum payment level, albeit a low level.

In summary, Mr. Chairman, I believe the merits of H.R. 1 outweigh its debits. The legislation establishes a base upon which further improvements can be built. I urge passage by this House and very careful consideration by the Senate of the Social Security Amendments of 1971.

Mr. DONOHUE. Mr. Chairman, I wish to record my convictions in favor of H.R. 1 and to register the hope that this pending Social Security Amendments Act of 1971, with the inclusion of title IV, will be approved by the great majority of the Members of the House.

The many and varied provisions of this measure have been very carefully and thoroughly explained by the distinguished chairman of the House Ways and Means Committee and other able committee members of both the majority and minority sides, so there is no need of any additional lengthy and repetitious review.

In summary, this measure is designed to increase social security benefits by 5 percent, provide for automatic adjustment of benefits in the future to reflect cost-of-living increases, wholesomely change and improve medicare and medicaid programs and intiate pioneering reforms in the structure and operation of welfare assistance throughout the country.

Mr. Chairman, there appears to be, and there should only be, little or no disagreement about the titles and provisions in the bill to increase social security payments for those who are suffering the most from ever-rising inflationary costs, to liberalize the retirement test and reduce the eligibility age for men and otherwise strengthen this area of social security impact. While many of us earnestly doubt that this measure goes far enough in providing adequate benefits for those who so desparately need them, we realize that the compromise figures and adjustments in the bill are the best that can be presently accomplished, so we accept them in that reality while we pledge to work for their further improvement in the future.

With respect to our determination on title IV, Mr. Chairman, I think we all ought to be mindful of two basic facts.

The first fact is that the present welfare system is an undoubted tragic failure.

The second fact is that the executive and legislative departments of the Federal Government have the grave responsibility to devise a workable welfare system that will restore human dignity to those who must accept welfare through no fault of their own; that will lessen the burden of welfare on the taxpayer by moving persons, through job incentives and requirements, from welfare rolls to payrolls; and that will preserve and encourage, rather than undermine and destroy, the basic family structure upon which all civilized society depends for continuance.

In making our determinaiton on the imperatively important subject of welfare reform, let us remember, Mr. Chairman, that, under the procedures of our action here, we will be saying, in any rejection, that, in effect, we prefer the present chaotic system to any attempt to improve it.

Let us be mindful that this program and the whole bill was approved, after lengthy hearings and extended study, by our colleagues on the House Ways and Means Committee and by a vote of 22 to 3. And let us emphasize that this family assistance proposal is intended and projected to the poor of this country, not as a handout, but rather as a hand up.

Let us, then, Mr. Chairman, extend such an encouraging hand in conscientious efforts to initiate wholesome, farsighted reform into an admittedly antiquated and collapsing welfare system, while we remain, as is our duty, ever watchful and ready to promptly repair any unexpected weakness, or even to begin repeal review of the whole program, if the administration and congressional anticipations are not quickly and demonstrably realized.

Mr. CLEVELAND. Mr. Chairman, it is regrettable that the Ways and Means Committee has seen fit to join a massive welfare reform proposal to a major set of needed social security amendments, and then bring it before us as one bill. As if this is not bad enough, the error is compounded by the rule obtained by the Ways and Means Committee. This regrettable rule allows the House of Representatives only two votes on this whole complex package of measures. It is shocking that the Ways and Means Committee is so arrogant as to believe it has drafted a bill so perfect that no amendment would be an improvement, or that the House in its wisdom is not able to improve on the bill written in committee.

I plan to vote "yea" on the motion to strike title IV, the whole welfare section of the bill. My reason is that while welfare reform is clearly needed, the expensive approach contained in H.R. 1 has not had any real test. It will cost billions of dollars more than the present welfare programs, which are bad enough, but without any real experience which will indicate success. I believe that we would be wise to put this guaranteed annual income approach to the real test by selecting several areas in which it would be put into full operation. Then, if it performs satisfactorily after a year or two, it should be put into effect nationwide. This is the main reason I opposed the guaranteed annual income proposals last year. It is why the Senate had reservations and never acted on the bill.

There are a number of alternative welfare reform proposals which deserve to be fully considered. They should be considered by the full House and voted on. They should at least be considered.

The present system badly needs reform. But the "reform" should be thought out and tested so that it does not turn out worse than the original system, a result that has all too often occurred in these halls.

If the motion to strike the welfare section succeeds, I will vote "yea" on final passage of the remainder of the bill, because the social security amendments contained therein are needed. Among the provisions most noteworthy are a 5 percent hike in benefits, future automatic cost of living increases in benefits, full benefits for men at age 62, increase in the earnings limit to $2,000 with future automatic cost of living increases, nontermination of a child's benefits because of adoption, and other reforms. These amendments are needed and can stand on their own merits. I am on record last year and in previous years as voting for them. They should be passed.

If the motion to strike the welfare section fails, I plan to vote against the whole package in the belief and conviction that if it is defeated, the social security amendments will be immediately reported out as a separate bill. But I cannot vote for this package of two major bills which comes out of committee

under a rule which permits no amendments. An indication of the complexity of the bill is that it is 687 pages long and weighs over 2 pounds.

I would like to be able to vote for the social security amendments. But for the reasons given above, both procedural and on the merits of the welfare proposal, I cannot vote for the bill if it contains title IV. Last year my constituents expressed overwhelming opposition to income subsidies for the working poor. Last fall I ran on my record which clearly spelled out my vote against that proposal. I do not think that in fairness and honesty to my constituents, I can so soon change my clearly stated position, in the absence of any real testing of the concept.

Mr. SISK. Mr. Chairman, as we approach the time when we will be asked to vote on this historic welfare reform legislation, I would like to call to the attention of my colleagues here in the House a letter I recently received from the distinguished director of the Fresno County California Department of Public Welfare, Mr. Reed K. Clegg, in which he urges favorable consideration of H.R. 1. Mr. Clegg, who has been director of this large county welfare department for more than 18 years, is a thoroughly professional administrator whose judgments are not colored by political considerations. He is one of the few men I know who is both a conservative and a liberal. Many welfare recipients view him as a conservative, and the board of supervisors, which has controlled the purse strings for welfare, view him as a liberal.

Reed Clegg is one of the outstanding welfare administrators of the State of California. His books and writings on welfare are known to administrators and educators alike, and may be found on the reading lists of some of the most renowned colleges and universities throughout the country. I am satisfied that the insights he has gained as welfare director for almost a decade can be of benefit to all of us, and I am gratified to present his observations on H.R. 1.

COUNTY OF FRESNO,
DEPARTMENT OF PUBLIC WELFARE,
Fresno, Calif., June 7, 1971.

Congressman B. F. SISK.
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN SISK: It is my understanding that HR 1 by Wilbur Mills is now on the floor of the House of Representatives. As the Director of a large California County Welfare Department for more than 18 years I would urge your favorable consideration of this most important welfare reform measure.

Our present welfare system was born in the great depression of the 1930's. It was originally designed as an emergency measure to be replaced by Social Security and other social insurance programs. Over the years it has grown in numbers, expenditures and complications. State legislatures and rule making bodies have added to its complexities by patchwork and piecemeal provisions.

The net result is a vast bureaucratic jungle of rule and regulation which is neither understood nor approved of by those who pay for it, those who benefit from it and those who attempt to administer it.

The program is filled with inequities and inconsistencies. There are vast differences in the manner in which we treat people in the various categories and glaring inequities within the programs themselves.

We treat the aged, blind and disabled on a month-to-month eligibility basis as if they were expected to return to the labor market or to suddenly inherit vast sums of money. Neither of these is likely to happen.

Our grant structures are so complicated that few people understand them. Three different experienced employees can be given the same family situation and arrive at three different amounts of aid for the family. It would be very difficult for me to tell which one is correct. This complicated grant structure is very expensive to administer.

In Fresno County it costs $7.50 to change an aid grant and we are required under the current system to change 40 percent of all grants each month. We need to move to a flat grant structure with reasonable income deductions and provisions for fluctuations in the cost of living.

The welfare system has reared more than three generations of children who are convinced that life consists of sitting in front of the TV set and waiting for the welfare check. We have given them a meagre existence for the present and no hope for a better future.

In my experience, the majority of welfare recipients would prefer work rather than a welfare check. We need to give them the opportunity to experience the dignity and satisfaction of honest and meaningful labor either in the private sector or by the government as the employer of last resort. If we are ever to break the cycle of poverty we must do it by employment and training programs which can serve as worthwhile examples to minor children.

Our present system discriminates against the low wage earner who is fully employed and attempting to support a large family. Thousands of these families live on a lower standard than that which we provide for welfare recipients. We give them little encouragement to remain with their families and try to support them. On the other hand, we give them ample reason to envy the idle welfare recipient.

The present system approaches the problems of the able bodied unemployed person in the same manner as it does the aged or incapacitated adult and the minor child. The employable person who is out of work should be assisted and guided by a branch of government specifically designed to handle the problems of unemployment. Traditionally the Department of Labor performs this function in our governmental structure. Aid to the Unemployed should become the responsibility of this department of government.

The Food Stamp Program is a very expensive program to administer. Later this month our department will complete a detailed and verified study of the administrative costs in the Food Stamp Program. If you wish a copy, I shall be glad to forward one to you. It would seem more logical to add money to the grant, rather than to engender the high costs of providing food stamps. We do not find heavy support for this program among the poor. The grocers on the other hand are enthusiastic about retaining and expanding the program.

With the decision to abolish residence by the Supreme Court and the legal activity in the Federal Courts by Anti-Poverty lawyers, it has become increasingly difficult for states and local units of government to administer welfare programs. This is particularly true in California and the other states which administer the more liberal welfare programs.

The discrepancies in programs among the various states are well known. It would seem that a citizen of this country who is in need should not be disadvantaged merely because of the locality in which he resides. Our present system consciously promotes this inequity.

HR 1 corrects the major inequities and failures in the present welfare system that I have discussed in the preceding paragraphs. It provides for basic and realistic welfare reform.

I recommend your careful consideration of its features.

Respectfully submitted,

REED K. CLEGG,
Director.

Mr. TIERNAN. Mr. Chairman, I rise to express my support for title IV and H.R. 1 as a whole. This decision was not easy to reach because the bill, in my opinion, has several shortcomings.

But Chairman Mills and the Ways and Means Committee are to be congratulated for their work on this legislation. They have put together a phenomenal bill which includes a 5-percent across-the-board social security increase. Title I of the bill also increases benefits for widows to 100 percent, lowers the age limit for men from 65 to 62 over a 3-year period, and increases the amount one can earn and still receive social security from $1,680 to $2,000.

Title II, among other things, allows the uninsured to be eligible for hospital coverage and includes physical therapy under medicaid coverage. There are two provisions in this section of H.R. 1 which do disturb me. The first is the reduction in Federal assistance for those under the care of nursing homes after the first 60 days. This is unrealistic and unnecessary. It is my hope that the Senate will see fit to change this section.

In addition, I question the wisdom of allowing each State to set up a cost formula for medicaid. This will mean that the poor will have to pay more and more of their medical bills in many areas. I fear this will only mean that the children of the poor will receive less, not additional, medical care.

Title III seems to be the least controversial section of the bill. Under this section the aged, blind, and disabled are treated with respect and given benefit increases.

It is title IV which has caused the greatest concern on both ends of the spectrum. There are those who have repeatedly stated that the poor will not benefit from this reform. I plan to vote for title IV, not as a panacea of reform, but rather as a necessary first step. Under this legislation, a floor will be established at $2,400, a beginning for the concept of guaranteeing every American family a minimum income on which to live. Federal takeover of the administration of welfare is the other singlemost important concept provided by this legislation. If we are to have real reform in the future, it must be based on an equalized basis which Federal administration will provide.

I am not without reservation in my support of title IV and I urge that the Senate consider the following objectives in their study of the bill. First and foremost, a base of $2,400 for a family of four is completely inadequate. This is $1,600 below the official poverty level and $4,100 below the level which many claim is the minimum amount a family needs to subsist at a decent level. In addition, I feel it important to include a cost-of-living increase similar to the formula adopt-

ed under the social security sections of the bill.

Title IV presently includes a State hold-harmless clause. I strongly urge that a people hold harmless clause be added to the bill. No one should be made to suffer by reform. This clause would provide that no one now receiving welfare would have their present payments decreased. Along this same line, I might note that the welfare reform bill which the House passed last year provided a 30-percent Federal participation in the funds supplemented by the States. This very important incentive is absent from H.R. 1.

One of the major provisions of title IV is "opportunity for families"—OFF—a work incentive program. If unemployment rates continue as present, where are we going to get the jobs for those trained under this section? If we are going to spend millions of dollars to train these individuals and require that they work, then let us guarantee them that jobs will be available. The record of the Department of Labor with the WIN program is not encouraging, and I feel that much more emphasis must be placed on this area.

Mr. Chairman, I also feel that we must provide some protection for those State employees who now administer the welfare programs. In transferring the administration of the programs to Federal control, we should provide for the transfer of State employees to a Federal status without loss of seniority and retirement credits.

In conclusion, let me reiterate that despite the above mentioned misgivings, I am going to vote for the entire bill as reported out by the Ways and Means Committee. To kill this bill or any portion of it is to put off welfare reform for at least another 2 years. In 2 years' time I fear that welfare recipients would be getting less than they would receive under H.R. 1. The States just cannot afford to keep up their present level of payment. It is my understanding that 14 States have already proposed a reduction in welfare payments.

Mr. Chairman, I once again congratulate you for your efforts and I urge my colleagues to join me in voting for this bill.

Mr. HOGAN. Mr. Chairman, I fully concur with those provisions of H.R. 1 which will improve benefits and the administration of the social security and medicare/medicaid programs.

In addition, Mr. Chairman, I fully concur with all the formidable arguments of the distinguished gentleman from Arkansas (Mr. MILLS) about the disastrous and chaotic mess which is our present welfare program—aid to families with dependent children. Nevertheless, I cannot agree with the solution offered by the gentleman from Arkansas (Mr. MILLS) and his Committee on Ways and Means; that is, the establishment of this particular family assistance plan in lieu of the AFDC program.

Mr. Chairman, my decision to vote against the inclusion of title IV in H.R. 1 has been extremely difficult for me. I have attended briefings with administration officials and with welfare rights organizations. I have listened to the debate in this Chamber. I have conferred with my colleagues and I have reviewed the opinions of my constituents. This I have done with an open mind, truly seeking the most viable and realistic remedy to this country's spiraling and outrageous welfare costs.

In my opinion, neither a continuation of the present AFDC program nor the family assistance plan substitute, truly fit the need.

A continuation of aid to families with dependent children will result in nothing but further increasing costs and continued dependence on the free handout to which welfare recipients have become accustomed. Those individuals who are on the welfare rolls today are in many instances the fourth generation to receive benefits. Is it any wonder that they have little incentive or ability to alter their future?

The statistics on the existing AFDC caseloads are overwhelming. Since the inception of the welfare system in 1935, the cost and caseloads have increased at fantastic rates. In 1950, there was a total cost of approximately $0.54 billion and over 2.2 million recipients. Estimates for 1971 under AFDC are for a cost of at least $4.8 billion with the estimated number of individuals exceeding 7.5 million—approximately 3.7 percent of our population. In a recent briefing session with Secretary of Health, Education, and Welfare Elliot Richardson, he estimated that by 1975, the AFDC program would be costing the American taxpayers $9 billion a year.

Mr. Chairman, the American taxpayer is duly justified in revolting against these kinds of increases, particularly when so much of the increase results from welfare abuses. Interestingly enough, even the individuals on the welfare rolls characterize the present program as a chaotic mess.

During the debate yesterday we heard the very able chairman of the Committee on Ways and Means (Mr. MILLS of Arkansas) cite the example of a congressional candidate in the 1970 elections who found himself in financial straits after running his political campaign. His wife suggested that they might apply for welfare temporarily since he had no job and they had three children to support. This ex-candidate thereupon applied for welfare and was put on the rolls. No questions were asked about his assets—about a home, automobiles, stocks, et cetera. Just the fact that he had no job and no income at that particular time was enough to put this individual on the welfare rolls.

Similarly, Mr. Chairman, we have all heard of the numerous cases of high school and college dropouts who have in recent years flocked to the hippie havens of America—San Francisco, Greenwich Village, Washington, D.C., or to the communes of New Mexico, Colorado and California, who live off the welfare dollars provided by the working American. I would like to insert in my remarks at this point a recent article by Haynes Johnson, the Washington Post reporter of contemporary Americana, which describes the life of some young people in Mill Valley, California, who are presently accepting the welfare dole:

[From the Washington Post, May 30, 1971]

AMORALITY AS A LIFESTYLE—YOUTH'S NEW VALUES: NO RIGHT OR WRONG

(By Haynes Johnson)

MILL VALLEY, CALIF.—Go into the Co-op at Berkeley and you will see students, many from well-to-do homes, cashing in their food stamps for groceries. Go into a restaurant in San Francisco and you will hear young people urging others at their table to get on welfare to have a baby, or an abortion.

Go down to the house-boats at Sausalito across the Bay and you will see hippies trading their food stamps for drugs.

Go a few miles farther into Marin County to Mill Valley and talk to some of the young people working in the small specialty shops and you will encounter more of the same American phenomenon: young people, all with values that set them sharply apart from their parents and, indeed, their older brothers and sisters.

If they are filled with political fervor they will argue, as did the student at Berkeley, that the end justifies the means. Two wrongs can make a right. But more likely than not they are apolitical. They haven't begun to question the rightness or wrongness of their actions.

Pat, 20, is like that. She was working in the back of a small shop in Mill Valley and talking to three other young women about their lives and their values.

"My only desire to get married is that my parents are upset already with the degree of looseness that is in my life that they know about," she said. "They don't know I'm living with my old man (her boy friend)."

She explained that her young man teaches "survival course" to others living the free life, goes to school off and on, occasionally washes dishes for extra funds, and receives a regular amount from his parents. She also gets money from her parents while she is finishing college.

"We do get food stamps," she said. "If John wasn't going to school he could make money, but it doesn't bother me to get the stamps. I feel that the government and the big stores, you know, make enough money so that, well, if we can get it cheaper we should. Maybe it's a rationalization in my mind, but I guess I think they're making it one way so maybe I should get a little break in this way. "I don't know. I haven't thought about it, to be truthful. I'm getting something for less than I would, and it's helping me to meet my needs."

She was asked if she ever thought she might be depriving someone in greater need and with greater responsibilities.

"I haven't even thought about that a lot," she replied, "I mean, I figure, take advantage of what I can."

She reflected a moment, and then said:

"If I thought my getting food stamps would deprive them from getting it, I would stop, but I don't think it will prevent them."

Doris, also a blonde and also living with a student ("he's on the GI bill and he deals in dope, and that's about it") said she never wanted to get married and never wants children.

"If I got pregnant, I'd have an abortion," she said. "Absolutely."

Kathy 21, who was listening quietly, spoke up. "I've been pregnant three times, and I've never had a child, and that speaks for itself," she said. "There's no reason to bring more people into this world."

Doris continued the conversation.

"This is my second old man," she said. "Like I just live with him. The first one lasted a year and a half, and that was it. This one won't last. It's not important. Of course I don't talk to my parents about it, about living with a man or flipping around with occupations. We don't talk about drugs either, except once in a while, and then the conversation always stops. My father's an en-

gineer. Been in the same house for 20 years. I take money from them. It's better they spend it on me than on booze for themselves, so I'll take it. I don't have any qualms."

Margaret, at 26 the oldest and the person with the widest range of experience, had the most clearly defined philosophy.

"The excuse I keep hearing from everyone who takes welfare and the rest is that they're not in tune with the kind of government they want, so if they take stamps or welfare from them it will help to destroy the system sooner," she said. "Laziness is really the answer. We've got to get the answers about what we want to do about society before we go in there and wipe them out."

Margaret also has made the most conscious effort to change the pattern of her life, She was an Eastern debutante, went to a fine private finishing school, studied art, and worked for a magazine in New York City before marrying an advertising man.

Her husband, who had been married and divorced previously, had been working for the advertising agency for nearly 10 years when he was sent to Mexico. At 32, he was earning over $20,000 a year, with the prospect of bigger money ahead. Then he quit.

"He just didn't believe in the things he was pushing," Margaret said, "We took out a bundle from our profit sharing, sold our property in the East, paid off our debts, and for the next six months roamed between here and Mexico. For a couple of months we lived on a remote beach near Acapulco. I would get up with the sun and go to bed with the sun. We never even kept track of time, the months, days or anything. Jeremy wanted to learn how to relax after the 9 to 5 thing. Then last April we came to California, more or less ready to settle down, but not sure for what. The only thing we were sure about was we weren't going back to the advertising agency life."

Now she works in the specialty shop, her husband is a carpenter, and has begun writing music. She says, "we're much happier than we were."

Her parents don't understand her, and they don't approve of how she and her husband are living. The same is true of the others. And they all share another common feeling: nothing in their lives is set yet.

When Margaret was asked if she thinks she will stay in California, she immediately answered:

"Oh, no, I could be moving tomorrow."

She, and the rest, probably will.

If this article is accurate and is typical of the welfare problems throughout the country, then it is readily apparent that the present AFDC program is intolerable and cannot be continued.

On the other hand, Mr. Chairman, I am not satisfied that the family assistance plan is the answer to the problem either. In my judgment, the provisions of title IV of the bill we are considering today represent an entirely new direction in Federal social and economic policy that could very well adversely alter the course of American history.

If we look closely at just three aspects of the legislation before us, I believe there is ample justification for my previous statement that title IV represents a new departure for American social and economic policy.

First, although the language of the legislation circumvents the outright statement of the fact, and regardless of the disclaimers of its proponents, this bill does provide a guaranteed annual income of $2,400 a year for a family of four. The pressures most certainly will build to increase the cash payments under the title IV provision, and we will have invented a massive, new ingredient for inflation at a time when our economy is already badly out of kilter. Also, for the first time in our history we will have opened up the U.S. Treasury to individuals who will be able to file an application and draw on general Federal revenues.

Second, this legislation, in the first full year of operation—fiscal year 1973—would increase the welfare rolls by some 10 million individuals. Paradoxically, and unfortunately, this increase comes about as a result of the very laudable working poor provision of the bill. While I do agree with the reasoning that the working poor must be given incentives to continue working when they could instead receive a higher income by taking welfare payments, I cannot, in good conscience, support a measure which will add 10 million persons to the welfare rolls at a cost of an additional $5.5 billion to the American taxpayer. Mr. Chairman, in all honesty, I do not think I could square a vote for an additional $5.5 billion with my constituents. In recent months, mail from my constituents has included an overwhelming number of complaints against burgeoning welfare costs. In fact, I would estimate that about two-thirds of the communications I receive from my constituents include a note of distress about the welfare system in this country. In view of this, how could I possibly justify a $5.5 billion increased outlay?

Finally, this legislation enlarges the already teaming Health, Education, and Welfare bureaucracy by federalizing all welfare programs. This provision undermines the concept of federalism at the expense of the States, by concentrating both the administration and the financing of all welfare programs in Washington.

Again, I find it paradoxical that the administration can support this measure which would restrict the power of the individual States while, at the same time, the administration is making every effort to secure passage of its revenue-sharing proposals to return the flow of power and funds to the States.

For all of these reasons, Mr. Chairman, I have come to the reluctant decision to cast my vote to strike title IV from H.R. 1. And contrary to the remarks yesterday of the gentleman from Arkansas (Mr. MILLS) that a vote to strike title IV is a vote to retain the present AFDC quagmire, I do not consider it so at all. I think my remarks have indicated that I consider the present program an abysmal failure and that we desperately need welfare reform. I simply am not convinced that the measure before us today achieves that needed reform. Rather, I believe it will simply establish a new and different kind of welfare monstrosity. And not too many years hence I have the feeling that we may be going this way again and asking how welfare costs could get so out of hand.

I believe, Mr. Chairman, that my vote yesterday to defeat the previous question on the rule for H.R. 1 indicates my preference for an alternate route that we should have taken in regard to welfare reform. By voting against the modified closed rule on this bill, I had hoped that we could offer a substitute measure for title IV. I am prepared to lend my support to a bill proposed by the gentleman from Tennessee (Mr. DUNCAN) along with 15 cosponsors in this body which, in my opinion, would provide more effective welfare reform. This alternate legislatoin would eliminate the guaranteed income and dismantle the HEW bureaucracy by returning to the States the responsibility for designing and administering welfare programs. The estimated cost of the program under this alternative would be comparable to present expenditures; however, it would include a mechanism for reducing welfare costs while increasing benefits to the truly needy.

Because our vote yesterday retained the modified closed rule on H.R. 1, we have missed the opportunity to offer this substitute measure for title IV during consideration of this legislation today. I will, however, cast my vote to strike title IV with the hope that the Committee on Ways and Means will consider this substitute measure in its further deliberations if title IV is defeated here today. Contrary to the sentiments of the distinguished gentleman from Arkansas (Mr. MILLS), I do not believe that the family assistance plan is the only welfare reform alternative available for the consideration of this body.

As much as it troubles me to part with the President on this issue, I will vote to strike title IV.

If the motion to strike title IV fails, I will vote for final passage because there are some good provisions, including the social security and medicare/medicade improvements, in this legislation.

Mr. RARICK. Mr. Chairman, passage of H.R. 1 including the family assistance plan by the House would mark another milestone in the overthrow of our system of government—another major step down the path to a totally controlled environment for the American people, all constructed under the supervision of Federal "moralists." There is no need for the street crowd to get violent if they can win their struggle in the halls of Congress.

The Nixon administration and the Republican Party will certainly earn an ignominious place in history if this bill is passed as written. This is indeed the "New American Revolution." It will be a total commitment of our people to the principles of socialism—an economic doctrine that is just one more step down the road to communism.

If the American people were told the Government was going to take their children as Government wards, the uproar would be deafening. But by concealing the takeaway program under promises of advantages to children and parents and making it sound gratuitous, their leaders and some in the communications media are misinforming the citizenry and telling them this is progress—this is good.

What are day care centers, child care facilities and the prelude to a child advocacy system except conditioning the public to the ultimate acceptance of childnapping of America's children by

the State—destruction of the family unit?

Supporters of this bill argue that the recipients under the family assistance plan—the current euphuism for guaranteed annual income—will be required to work. As I understand it, the people will only be required to register as indication of their availability to work. Whether they can be forced to work or denied their dole will depend upon the interpretation placed on the Constitution by the Federal judges then sitting on the Supreme Court.

The idea that the new Federal agency designed to implement the provisions of this section can check to see that these people are actually employed or have sought employment is patently absurd. To do so would require an extraordinary number of employees, which would result in a federally controlled bureaucracy where untold millions would owe their livelihood to the munificence of the Federal Government. Perhaps this is the purpose of this section. It can have no other effect ultimately on the American society.

So long as we pursue a course guided by the principle that we can change a man's environment by giving him money and guaranteeing him a minimum annual income, I can see no future for America other than national socialism.

The Nixon administration apparently thinks that it was given a people's mandate to change all facets of the lives of Americans—the food we eat, the houses we live in, the schools our children attend, the medicine we take, even the air we breathe. Most Americans thought Mr. Nixon's mandate was to uphold the Constitution and keep his campaign pledges.

The Constitution contains no authority that provides that the Federal Government shall force the taxpayers to pay for health services, food, clothing, transportation, housing, legal services, jobs, birth control devices, or even education to citizens. And failure of States to provide these services is no justification for the Federal Government to intervene and preempt the functions of State and local governments. The only guarantee owed by the Federal Government to the States is a republican form of government.

If local and State governments do not provide the services such as health, housing, and education as desired by the citizenry, the answer lies with the people, not the Federal Government. The voters can choose other public officials who will do what the majority desires.

With each passing week it seems we learn of some new scheme proposed by the administration presently in power which would tend to weaken State sovereignty and place more and more controls over lives of the people under the dictates of Federal and regional bureaucrats, commissars, and judges.

This is another major program for a fully controlled environment which can only result in a national Socialist form of government. So-called guarantees to a living without the need to work should infuriate the American people. The ultimate thrust will prove not to help people but rather to control people by a complete change in their system of government, their morals, living patterns, and individual liberties. The American people are being told to sell their birthright for a mess of rhetorical promises.

Anyone should understand that the person who runs the household and sets the home pattern is the man who pays the bills or who accepts the responsibility.

When the Federal Government pays the bills, it will expect to give the orders, prescribe the rules and regulations, and make the final decisions. In other words, the Federal Government will be the man of the house.

Passage of H.R. 1 will accomplish little.

The country will go on. The prices for food and necessities will rise proportionately to the amount of new Federal expenditures, the poor will face the same problems, the rich will get richer, and life will be burdened with more officious intermeddling by bureaucrats and more and more redtape and controls.

And one thing will be certain. With the opening of every new Congress, bills will be introduced to increase the guaranteed annual income and benefits as well as to increase taxes on working people as well as a need to increase the national debt by raising the debt ceiling.

Mr. Chairman, the opinions which I have been receiving from my constituents indicate they are overwhelmingly opposed to H.R. 1., the Social Security Act amendments and family assistance plan legislation which is under consideration by the House. This take-away, giveaway bill is estimated to cost approximately $14.9 billion for fiscal year 1973.

The idea of a family assistance program, a main feature of which is a guaranteed annual income, was first unveiled to the American people in the summer of 1969. Promoted by President Nixon—who had vowed as a candidate a year earlier that he opposed such a scheme—as a welfare reform measure, which would force deadheads to work and would simplify welfare paperwork, the measure was passed by the House of Representatives last year. The Senate failed to pass it.

H.R. 1 now before the House contains, in addition to the guaranteed annual income feature of the earlier bill, numerous changes to the medicare and medicaid programs, and establishes Federal programs of aid to the aged, blind, and disabled, thereby repealing existing Federal-State programs. Also, additional social security benefit increases as well as taxes are tied to the so-called welfare reform measure, making it one big package for Congress to satisfy the poor, the old, the disabled, and the disadvantaged, as well as those who want to take advantage. By including social security benefit increases in H.R. 1, it is calculated by the backers that few lawmakers will have the courage to oppose any bill with a social security benefit.

The family assistance plan, or guaranteed annual income feature, is the most controversial part of H.R. 1. The Federal Government would guarantee an income of $2,400 to a family of four and $3,600 to a family of eight which would qualify. To be eligible, a family must not have countable resources in excess of $1,500. There are several exclusions from the $1,500. For example, the home, household goods, and personal effects to the extent that their value does not exceed a reasonable amount, other property essential to the family's self-support, and the first $720 per year of other earned income plus one-third of the remainder. It has been estimated that not counting income that does not have to be declared, some families will be permitted to earn as much as $6,000 a year and still receive welfare.

The family assistance plan is not likely to keep families together nor prevent illegitimacy. For example, if an unemployed father and mother with six children agree to separate, they become two families eligible for welfare and could then receive $5,200 instead of $3,600 as a one family unit. This is in addition to $3,000 they might earn at part-time jobs.

A main argument of proponents of FAP is that great numbers of families can be removed from welfare rolls through job training and work incentives. Work incentive programs already exist, yet welfare rolls increase instead of decreasing.

In an evaluation program in New York City involving 200,000 families, only 235 actually worked themselves off welfare. Yet welfare was interpreted as a temporary plan to rehabilitate the poor and assist temporarily.

It has been estimated that the numbers on welfare rolls will double or triple if H.R. 1 is passed. It is incredible that President Nixon and leaders of both political parties are pushing for the family assistance plan. The FAP would not only be costly in dollars, but more so in terms of lost work incentive and initiative. It is completely alien to the American way of doing things. It would guarantee a man—whether he works or not—an annual income equal to the amount the Federal Government thinks he should receive. There is no equal opportunity under such a program.

The American and Christian way has been that an able-bodied man work to earn his pay and for responsible citizens and private charities—aided by local and State governments—to voluntarily help those unable to help themselves. Now the Nixon administration promises money without work. And they call it reform—progress. The Romans before their fall gave bread to the masses.

The FAP it passed would make the idle, low-achievers, and irresponsible into a special privileged group. For this reason, H.R. 1 is a milestone in the continued backward trend of our country.

The experiences of other countries with national welfare should serve as a warning to the United States of the dangers of such a course. Sweden, Great Britain, and Uruguay are but three nations that are either bankrupt or are flirting with bankruptcy as a result of state welfare system. Sales taxes today in Britain range from 30 percent on glassware, shoes, and furniture, and 36 percent on cars to 55 percent on cameras and other photo equipment.

Over 40 percent of the total population of Uruguay is supported by the Government. Thirty percent of the potential work force is unemployed. Inflation has increased at a rate in excess of 100 per-

cent per year for the past 5 years. This is mainly caused by deficit spending. The Government simply spend more than it takes in. The routine sounds familiar, printing press—fiat—money. Those who favor deficit spending—the we-owe-it-to-ourselves advocates in our country—would do well to heed the experience of Uruguay and demand rejection of H.R. 1 and other similar unconstitutional legislation. Forty percent of the workers of Uruguay work for the Central Government. More than 50 percent of the total population is over 50 years of age. Young Uruguayans who work must pay such high taxes that they simply move to other countries.

The solution to the welfare mess is to return to the Holy Bible and to the Constitution. By practicing Christian virtues—especially charity—responsible individuals at the grass roots level can take care of many welfare cases. But moreover, borderline welfare users should not be encouraged to quit work and become a taxpayers' burden.

Parents, churches, and schools should return again to teaching people to make provision for their future. Instead of "buy now and pay later," the all-but-forgotten virtue of thrift should be emphasized.

Government assistance to unfortunate citizens who have no place to turn for help should be provided by State and local governments in accordance with the wishes of their people.

If the Nixon administration really wants to return power to the people, it must return revenues to the people or lessen the tax burden. What better and more efficient revenue sharing plan than not taking money from the people in the first place. Allow the States to keep 20 percent, 30 percent or more of the income taxes paid by their citizens to Washington. Think of the money that would be saved—the 35 cents that the bureaucrats hold out of every dollar on its round trip to and from Washington—like taking a blood transfusion from the right arm to the left and losing one-third in the transfer.

Henry Hazlitt writes in his recent book Man Versus the Welfare States, "the only real cure for poverty is production."

A popular bumper sticker says it this way: "I fight poverty—I work."

The Holy Bible in St. Paul's letter to the Ephesians, 5:28, provides us with the Christian answer to the welfare problem:

> Let him that stole steal no more, but rather let him labor, working with his hands the thing which is good, that he may have to give to him that needeth.

My dipping into my pocket to give my money earned by my toil to another is an act of love—the Government's taking it from me to give to another is legalized theft.

Mr. Chairman, I intend to live up to my oath under the Constitution and to cast my vote against H.R. 1.

Mr. MATSUNAGA. No one is satisfied with the present welfare system: not State and local governments, staggering under accelerating caseloads; not taxpayers, convinced that welfare malingerers are skyrocketing tax burdens; certainly not recipients, badgered by bureaucrats and discouraged by the system itself from seeking meaningful employment.

It is my firm belief, Mr. Chairman, that the welfare reform provisions of H.R. 1 represent movement toward coming to grips with this intolerable situation.

Under H.R. 1, there will be uniform national standards of eligibility, to bring a measure of order and sensibility to all of the adult and family category programs.

There will be Federal assumption of responsibility for a minimum income standard for these same programs. For the family of four this would mean a Federal guarantee of $2,400 per year, plus any State supplements.

Also, there will be gradual complete assumption of the cost of administering these programs by the Federal Government.

For State and local governments, there is a guarantee that the Federal Government will assume any State costs above those paid in cash assistance for calendar year 1971.

The Department of Health, Education, and Welfare has estimated that these provisions alone will save States over $1.6 billion. My own State of Hawaii would be saved about $7 million.

Of prime importance also is the inclusion, for the first time, of the "working poor" in the family benefit program. This will not only encourage those not working to seek work; it will also eliminate the strong incentive now afforded fathers to desert their families in order to improve their income. The present setup is incredibly intolerable.

While these are the most important advantages of H.R. 1, they are by no means the only ones. Also included are the following commenable sections:

A 5-percent social security benefit increase, effective next June.

Regular cost-of-living adjustments in social security benefits, a proposal I have introduced myself in the 92d Congress as H.R. 887.

Provision for child care and job training on a greatly expanded scale.

Public service employment for approximately 200,000 public assistance recipients.

While I support, on balance, both H.R. 1 and title IV in particular, certain omissions in the bill make it short of being fully satisfactory.

For one thing, there is no recognition in the bill of the higher costs of living in the noncontiguous States, including Hawaii. This higher cost of living in Hawaii is taken into account by the Office of Economic Opportunity for local poverty programs, by the U.S. Civil Service for all Federal civil service employment in the Island State, and by the Department of Housing and Urban Development for our federally insured mortgages. Because the rule adopted in this body forbids amendments, it is my hope that the Senate will include in its version of the bill an allowance for the historic 20 percent higher cost of living in Hawaii.

I am also disappointed that the bill does not contain a guarantee that no recipient will be worse off under the "reformed" system than at present. I concur in the "hold harmless" provision applied to States, and I hope the other body will extend this provision to people as well.

For all of these omissions, however, there is no doubt in my mind that H.R. 1 represents a significant improvement over the present welfare system. We cannot, Mr. Chairman, permit this opportunity for reform to pass, as it surely will if we eliminate title IV from the pending bill. I urge a "no" vote on the motion to strike title IV, and an "aye" on final passage of H.R. 1.

Mr. RYAN. Mr. Chairman, I must confess to very conflicted concerns regarding title IV of H.R. 1—the title embodying the family assistance plan and the opportunities for families program. On the one hand, this title embodies in legislation the concept of a guaranteed annual income—a step of vital and historic importance. In addition, it brings under the umbrella of Federal responsibility the working poor, a group long—and undeservedly—outside the ambit of welfare. On the other hand, these steps are constricted by provisions whose deficiencies very seriously undercut the validity of the title.

Added to my conflicts regarding title IV is the fact that consideration of a guaranteed annual income marks an action toward which I have been working for a number of years. I introduced, in 1968, the Income Maintenance Act, the first bill in the Congress to provide for a guaranteed annual income. For that action on my part, I must admit that I have received, at least in some quarters, a certain notoriety.

In an attempt to persuade conservative Members of the Congress not to support title IV, the June 5, 1971, issue of the rightwing publication Human Events had devoted some 30 inches of copy to detailing the genesis of the family assistance plan. In so doing, it has ascribed to me, with some accuracy, the seminal role in this legislation. Somehow, via the circuitous reasoning of Human Events, my being the initiator of this legislation supposedly casts aspersion on the family assistance plan. To my way of thinking, this damning by means of faint praise is indeed proof that our efforts have been successful in moving this country forward toward an essential step—enactment of a guaranteed annnual income.

In the Human Events article, entitled "Who Created FAP Monster?" it is stated:

> Rep. William F. Ryan (D.-N.Y.), a left-wing liberal who is on the radical fringes of his own party, introduced the first guaranteed income bill ever offered in Congress in May, 1968 . . .
>
> The Ryan legislation proved to be strikingly similar to the bill offered by the Nixon Administration 17 months later. It is similar to the Nixon-Mills bill now rolling through the House. . . .
>
> The House, then, will soon vote on a "welfare reform" measure that was never received very well at the grass roots. Strong public support for it, in fact, has yet to be detected. So odious was the idea of a guaranteed annual income two years ago that even liberal lawmakers shied away from the plan. Thus it is really quite extraordinary that the FAP plan—first put into bill form

by fringe Democrat William Fitts Ryan—is quite likely to pass the House in the next few weeks and become the law of the land by the year's end.

Human Events is correct in attributing to my endeavors the first legislative presentation of a guaranteed annual income. It misses the mark, however, in ascribing to me the authorship of the family assistance plan, insofar as the onerous provisions, to which I previously alluded and which I presently want to address more fully, are concerned. Those are the products of the administration and of the House Ways and Means Committee, which has reported out H.R. 1, of which title IV is a part. For those I take no responsibility.

The major element which weds my legislation—the Income Maintenance Act—and title IV of H.R. 1 is this: both of them embody a guaranteed annual income. And what I said a year ago April, when H.R. 1's predecessor, H.R. 16311, was before the House, is as urgently true today:

Let us recognize to begin with that a guaranteed annual income is not a privilege. It should be a right to which every American is entitled. No country as affluent as ours can allow any citizen or his family not to have an adequate diet, not to have adequate housing, and not to have adequate health services and not to have adequate educational opportunity—in short, not to be able to have a life with dignity.

While there may be differences as to the mechanics of implementing an income maintenance system, there should be no dispute as to its need. There can be no dispute that poverty in the midst of this affluent country is insufferable and unconscionable.

The problem today, for many of us, is the mechanics which are embodied in title IV of H.R. 1. On this factor, my Income Maintenance Act and title IV part company. And it is this factor—the mechanics of converting from legislative idea into law a guaranteed annual income—that makes title IV difficult to support.

First of all, let us look at the basic structure of title IV. It establishes two programs. For families in which a member is judged employable and registers for manpower services, training, or employment, benefits are to be paid by the Secretary of Labor under the opportunities for families program. Other eligible families—that is, families in which there is no employable member—will receive benefits from the Secretary of Health, Education, and Welfare under the family assistance program.

At the outset, one thing is very clear. The $2,400 benefit level which title IV sets is inadequate. The Federal Government itself has produced numerous statistics showing that an average family of four needs, at the least, an annual income approaching $6,500. And even this amount—an amount called for by the National Welfare Rights Organization and which I have supported by my sponsorship of H.R. 7257—would not really meet more than minimum needs.

So, one flaw in title IV is inadequate benefit levels.

Another flaw of title IV is that it fails to include within its coverage single people, and couples without children. The needs of these people are no less dire, nor are they any less deserving of adequate Federal response. Thus, title IV is guilty of a severe failure of omission.

A particularly serious failing of title IV is the absence of any provision requiring States which currently have benefit levels in excess of $2,400 to maintain those levels. In fact, in only five States—Mississippi, Alabama, Arkansas, South Carolina, and Louisiana—are benefit levels, combined with food stamps, below $2,400. In the rest of the Nation live 90 percent of welfare recipients. So, the argument can be made that, since H.R. 1 has no requirement that benefit levels in excess of the $2,400 set by title IV be maintained, and since the Federal Government will pay the full $2,400—but no more than that—there will be an inducement for States to lower benefits.

The fact is, of course, that States currently can reduce welfare benefit levels, as has occurred just recently in my own State of New York. The absence of a requirement that States maintain current benefits levels, then, does not change present law. But it does add psychological fodder to those who would cut welfare payments.

Another problem with, title IV is that the hold-harmless provision of the title will act to prevent States from increasing benefits in the future. As the title is written, the Federal Government will guarantee that no State which supplements Federal benefits will have to spend more than it did during calendar 1971. Thus, should welfare rolls increase in 1972, the Federal Government will pick up the added costs. And given the manner in which the administration continues to conduct monetary and economic policies, I fear that we are more likely to see an increase in the number of jobless people forced to go on welfare than a decrease.

The twist in this hold-harmless provision, however, comes in the fact that it will not apply to the amount by which a State raises benefits above 1971 AFDC levels plus the food stamp bonus. Given, the current State of the Nation, it appears unlikely that in the near future States will raise benefit levels, whether or not title IV of H.R. 1 is enacted into law. But, that in no way detracts from the fact that benefit levels are, in every State, inadequate. In most States they are grossly inadequate. Clearly they should be raised. Yet title IV has a built-in disincentive to such raises.

Still another major flaw of title IV lies in the work requirements. Mothers with children 3 years of age or older are to be considered employable under the title. As a consequence, they must register for employment, job training, or rehabilitation services, with the Secretary of Labor determining to which they shall be referred.

This coercive provision is obnoxious. It is premised on the myth that welfare recipients do not want to work—which every survey shows not to be the case—and on the myth that welfare recipients are lazy, and thus have to be forced to work—which again is untrue.

Moreover, it is premised on a perception of reality which is just untrue. There simply are not jobs available, and title IV is, despite some efforts, not going to create them. Were there jobs, and adequate child care facilities for their children, most mothers would be, freely and voluntarily, working.

The mechanics used to implement this work requirement for both women and men similarly are bad. For one thing, a registrant cannot challenge offered employment as unsuitable to his or her particular needs or abilities. Thus, factors of health, safety, prior training, and experience, are given no legislative sanction. Furthermore, while it is specified that the jobs to which recipients are referred must pay a certain minimum, this can be as low as $1.20 an hour—three quarters of the $1.60 Federal minimum wage, which is itself far too low.

Allied with the defect of the forced work requirement is the child care provision. It is not stated in the bill that lack of adequate child care facilities constitutes a basis for refusal to participate in the manpower program, although it is true that the committee report so states. Equally important is the absence of allowance for choice by the mother; she is given no voice in determining what type of child care arrangement shall be used. But most important, and this is an idea to which I return again, is the fact that it is wrong to require mothers who happen to be poor to be separated from their children, if they choose not to be.

While these are the most onerous defects of title IV, my recitation of them by no means exhausts the list. For example, recipients are required to file new applications every 2 years. While this is justified in the committee report as a means to review eligibility and the reasons for dependence of each family, in order to combat long-term reliance on public assistance, the fact is that administrative officials could make periodic reviews of a family's status, rather than requiring a family to go through reapplication procedures.

In addition, the entire family becomes ineligible for benefits if any of its members fail to take all steps necessary to qualify for any "annuity, pension, retirement, or disability benefit." This is a grossly harsh penalty, even more stringent than the penalty for refusal to work, which is reduction of the family's grant in an amount attributable to the refusing person's need.

The bill would permit States to impose a residency requirement of unlimited duration on eligibility for supplementation. Yet the Supreme Court has twice made clear that no such requirement can constitutionally be imposed. See *Shapiro* v. *Thompson*, 394 U.S. 618 (1969); *Gaddis* v. *Wyman*, 304 F. Supp. 717 (S.D.N.Y. 1969), *aff'd per curiam sub nom Wyman* v. *Bowens*, 397 U.S. 49 (1970).

Title IV also sustains discrimination against recipients in Puerto Rico, as well as the Virgin Island and Guam, by providing substantially lower benefits for them.

In addition, title IV denies benefits to any family, the head of which is a regu-

lar student at a college or university even though he or she is also employed or in the labor market and studies at a free public institution. This can only militate against upward mobility.

In view of the severe defects in title IV—the inadequate Federal benefit level; the failure to include single individuals and childless couples; the failure to require States to maintain present benefit levels; and the coercive work requirement—I intend to support the amendment to strike this title.

It is unfortunate that the parliamentary situation precludes my being able to offer, or to support, improving amendments. That would be the best way to correct the deficiencies in title IV. Since that course is foreclosed, my vote registers my demand that the title be improved—either by forcing the Ways and Means Committee to bring out a satisfactory bill—or by demonstrating to the Senate, shoud the amendment to strike title IV fail, that it is incumbent upon the Senate to reshape title IV to overcome the criticisms of those of us who advocate an adequate guaranteed annual income program which is not encumbered with harsh and regressive provisions.

Mr. BINGHAM. Mr. Chairman, there are few bills that will come before this Congress which are as important and as controversial as H.R. 1, the Social Security Amendments of 1971. The controversy has centered principally around title IV of the bill, which is known as the family assistance plan.

Many reputable and responsible organizations, such as the Americans for Democratic Action, the New York City Chapter of the National Association of Social Workers, the Community Council of Greater New York, and the New York New Democratic Coalition, have written to urge support for a motion to delete title IV from H.R. 1. Their opposition has focussed on a number of deficiencies in the bill and I agree with most of their criticisms. For example, an income of $2,400 for a family of four, the income guaranteed in title IV, is far from enough. I feel that the requirement that mothers of children over age 6—that age being lowered to age 3 in 1974—register for and accept any available work is unrealistic and may well work a serious hardship on many families, especially if the mothers have to pay for day care for their children. Day care should be made available gratis and part-time work should be made acceptable so that the mother of school-age children would be able to be with the children part of the day. And there are many other objectional features.

The question on the family assistance plan, however, boils down to how to get a better bill. Some have suggested that if title IV is defeated, the Senate could insert an improved family assistance plan in their version of the bill. Given the makeup of the Senate Finance Committee, however, it would seem highly unrealistic to expect a more liberal title to emerge from the Senate. Furthermore, Chairman WILBUR MILLS of the House Ways and Means Committee has indicated that if title IV is defeated, he does not see how any further bill on this subject could emerge in the present Congress.

Some of those who oppose title IV argue that the family assistance plan actually represents a step backward. I have examined carefully the issues raised by those who oppose the bill and have decided that, on balance, this bill makes important advances that outweigh the negative factors. I agree, for example, that the work requirements in title IV are unnecessarily harsh, but they are less so than the requirements that may be and are now imposed by States. Consider, for example, the requirements that were recently enacted at Governor Rockefeller's request by the New York State Legislature. In New York, a welfare recipient may now be forced to accept any job at no pay in return for his welfare check. I am sure that even those opposed to title IV would regard the New York work requirement as more regressive than the requirement in the bill now before us.

The advances contained in title IV are of key importance and, I repeat, in my judgment, outweigh the negative factors. For the first time, this bill would establish Federal responsibility for the Nation's welfare program. For the first time, there will be established Federal minimum standards which will apply uniformly to welfare recipients in New York, Connecticut, Mississippi, and Alabama. For the first time, the Federal Government will recognize that a minimum income for poor families should be established. These are important "firsts."

We in the Congress should not be intimidated by what State governments might do if title IV becomes law. Theoretically, some States could lower State benefits to a level that would mean a welfare recipient might be receiving less total benefits than he is now receiving. But there is no good reason to believe that they will do this, since they have not taken such harsh steps up to now, though they are free to do so. And there is no doubt that this title will significantly improve the benefits received by poor people in many States, particularly the States of the deep South.

Mr. Chairman, let me say that although I have decided to support title IV for the reasons I have given, I believe the fight to improve on the family assistance plan must begin now. I will work to that end.

I very much hope that the Senate will remove some of the objectionable features of the family assistance plan, and that such improvements will be adopted in conference. Even if this is not done, there will be opportunities to improve the plan in future years. For example, I hope that before 1974, the work requirement for mothers of children from 3 to 6 will be eliminated so that it will not go into effect.

Mr. Chairman, the New York Times today ran an editorial in support of title IV. They seem to have wrestled with many of the same problems I did in considering this title. I am, therefore, placing this editorial in the Extensions of Remarks portion of the RECORD today.

In the previous discussion, I have focused on title IV of H.R. 1, the family assistance plan, because it is the title that has been the focus of controversy in this bill. H.R. 1 contains, however, five titles and I believe that there is much in the other titles worthy of support.

Title I increases social security benefits by 5 percent effective on June 1, 1971. This title also includes a number of other improvements, many of which I have recommended and sought. These include, in addition to the benefit increase:

First, cost-of-living benefit increases;

Second, increased widow's and widower's benefits;

Third, computation of benefits based upon combined earnings of husband and wife;

Fourth, an increase in the amount of outside earnings allowed a recipient of Social Security benefits;

Fifth, allowing a person who is disabled between ages 18 and 22 to receive a child's benefit; and

Sixth, reduction of the waiting period to receive disability benefits.

Title II of H.R. 1 makes a number of changes in the medicare provisions of the social security law. The first of these, and one that I have urged for a number of years, is a provision that would make disabled persons who are eligible for disability benefits under social security also eligible for coverage under medicare.

Title III establishes a program of assistance for the aged, blind, and disabled. This title would replace existing programs. Title IV is the family assistance plan which I have discussed in detail already. Title V contains various miscellaneous amendments, mostly technical in nature, but one of which increases the amount that may be deducted from personal income taxes for child care expenses and increases the maximum income that may be earned by a family from $6,000 to $12,000 and still be eligible for the tax deduction.

Mr. Chairman, while I support many of these changes, I feel that H.R. 1 does not go far enough in many respects and omits a great many improvements in the social security medicare law which should be made. I am, therefore, today introducing a bill which a number of needed improvements in the social security and medicare program.

First of all, and most importantly, my bill would provide for a 20-percent increase in social security benefits effective January 1, 1972. By contrast, H.R. 1 provides for a mere 5-percent increase effective June 1, 1972. H.R. 1 also contains a provision that permits cost-of-living increases in benefits but only if there was no increase in benefits passed by the Congress during the previous year. By the time the 5-percent increase takes effect, inflation will have made this increase no more than a cost-of-living adjustment and, because the increase will take place in 1972, there will be no further cost-of-living increase permitted until January 1, 1974. We must do more. My bill not only would increase Social Security benefits by 20 percent January 1 but also would provide for cost-of-living adjustments beyond that. These would not be

tied to any other increase in benefits enacted by the Congress.

H.R. 1 increases the minimum monthly benefit to $74. I believe that is inadequate and the bill I am introducing today increases the minimum benefit to $120. Furthermore, H.R. 1 justly recognizes that workers who have long years of coverage should have the minimum benefit increased. H.R. 1 therefore provides an alternate means of computing the minimum benefit. It provides that you multiply $5 times the number of years a worker has been covered up to a maximum of 30 years. Thus a worker who has more than 15 years of coverage can increase the minimum benefit to a maximum of $150. It would take him, however, 24 years to even equal the $120 minimum I have urged. Furthermore, the number of covered workers who work for over 20 years and who have such a low level of earnings as to provide them with only the minimum benefit is very small. This provision, therefore, while right in concept, does not go far enough, and as presently written, will only help a very few people. The bill I am introducing provides that the alternative minimum benefit is determined by multiplying $8 times the number of years of coverage up to 25 years. After 15 years of coverage, any worker can improve upon the $120 minimum benefit in the bill, up to a maximum of $200. Thus long years of coverage would truly benefit a worker whose earnings record is low by guaranteeing a minimum social security benefit of $2,400 a year.

The bill I am introducing increases the amount of outside earnings permitted without having to reduce social security benefits. The bill increases the lump-sum death benefit paid to the survivors of a covered worker. The bill increases widow's—and widower's—social security benefits to the full amount of the deceased workers benefits if coverage begins at age 65. Benefits to disabled widows would be payable without regard to age. The bill provides for paying widow's or widower's benefits as early as age 50 if the widow or widower was age 50 or over at the time the worker died and the worker was entitled to benefits at the time of his death.

My bill also provides for increased benefits for an individual who retires later than age 65. The bill amends the disability definition to provide that disability benefits could begin after 3 months, instead of 5 months as provided in H.R. 1 or 6 months as contained in the present law. The bill provides disability coverage to blind people with six quarters or more of coverage. The bill increases, from age 22 to 24, the maximum age a college student can receive a child's benefits. The bill also provides that payments be made out of general revenues to supplement the social security trust fund.

With respect to medicare, my bill provides for the payment of prescription drugs purchased by a medicare beneficiary. The individual would only be required to pay $1 for each prescription. The bill provides for the payment of dental expenses—except teeth cleaning—the cost of prescription eyeglasses, orthopedic shoes and braces, and the services of an optometrist.

Finally, the bill increases, from $350 mililon to $630 million, the annual authorization for maternal, child health, and crippled children's services. Furthermore, it extends this program for 5 years beyond the current expiration date.

Mr. RANDALL. Mr. Chairman, I shall support H.R. 1 on final passage after our failure to strike title IV. Our lack of success to remove this objectionable title is a disappointment. We are all on record as against the concept of a guaranteed income. A total of 187 Members were against it in the recorded teller vote. Then again I, along with others, stood for a count to try for a rollcall vote on the motion to recommit. Failing in this second attempt, we made a third try by a division vote in the continuing effort to recommit H.R. 1 to the committee. We were in the hope and entertained the belief that if this measure could be recommitted to the committee then a viable, workable alternative such as H.R. 6004 could and likely would subsequently be reported by the committee.

Now we come to the end of the road and there remains only the choice to vote up or down H.R. 1. As I pointed out in my complaint against the so-called modified closed rule, and as I have said elsewhere in this debate, the way we have approached H.R. 1 is not the right way to legislate.

In the first place, H.R. 1 is an all-encompassing bill. It is too big and too inclusive to be properly considered in one debate. As the gentlemen from Oregon so appropriately stated, H.R. 1 is so monumental that it should have been brought to the floor of the House in two or more separate bills. It is my thought that a matter so important as welfare should have been considered separate and apart from the matter so important as social security, medicare, and medicaid. In a private conversation with one of our fellow Members in the cloakroom, he summed up the situation most eloquently when he asked the rhetorical question, "Isn't this a lousy way to legislate?" I am sure that most of us would agree that that question would have to be answered in the affirmative.

At this point all that is left is to be for or against H.R. 1 as it is. In the debate we have heard a lot about the welfare mess. It can hardly be denied that under the present welfare system there is no uniformity of eligibility, and that standards and norms vary from State to State. It has been argued that under H.R. 1 there will be some idea of the total cost. In other words, federalization of welfare will at least give us some control nationwide over a problem that has been growing by leaps and bounds and provide some uniformity, rather than continuing under the present system with no telling what may happen in the years ahead. No one has suggested that in the early stages of the administration of H.R. 1 it will be cheaper than the present system. It is contended that if it can be made to work after a shakedown period, then within 5 years the total overall cost of the new program will be less than the total overall cost of welfare today.

In appearances throughout our congressional district I am so frequently asked, what are we doing to improve the welfare system? Long ago I determined that not many of my constituents were for the present welfare approach. I became convinced that there should be some kind of a change. Now at this late point in the debate, all that we have before us is H.R. 1 or a continuation of what has so appropriately been called the welfare mess.

I am convinced there are many deficiencies in H.R. 1. I would prefer that the administration remain in the States under Federal guidelines and restrictions rather than be centralized here in Washington. But I am also convinced that something must be done to try to break the welfare cycle, meaning to get thousands and thousands off the welfare rolls and make an effort to put them on the payrolls. H.R. 1 may do that or may not do it, but it is all we have before us at the present time as a vehicle to make the effort to try to stop such a growing monster which we have come to know and describe as the perennial welfare problem.

At the expense of being repetitive, a summary of H.R. 1 will reveal that it has five titles. Title I deals with the amendments to the social security program. Title II relates to medicare, medicaid, and child health. Title III covers provisions relating to assistance for the aged, blind, and disabled. Title IV is the family assistance program that has been thoroughly discussed, and title V covers related assistance provisions.

Put in proper perspective, I think it would be a fair and reasonable conclusion to state that of the five titles, only one has been the subject to serious attack here on the floor and the other four titles are not only acceptable but welcomed by the majority of the membership. I am not sure whether the count is completely accurate, but as I thumb through the summary I find there are 43 amendments to the Social Security Act, and 58 amendments to medicare and medicaid.

First off, H.R. 1 contains a 5-percent increase in social security-benefits. There are special benefits for persons 72 years of age and over who are not insured for regular benefits. There is an automatic increase in social security benefits when the Consumer Price Index increases by at least 3 percent. A widow or widower including those now on the rolls is entitled to a benefit of 100 percent of the amount the deceased spouse would be receiving. Under H.R. 1 men would be eligible for benefits at age 62 the same as women. There would even be reduced benefits available for widowers at age 60, on the same basis as widows under the present law. Remember, all of these things are the Social Security Amendments of 1971 as contained in title I.

One of the most important amendments, in my judgment, contained in H.R. 1 is the liberalization of the amount a beneficiary may earn and still be paid full social security benefits. That would be increased under H.R. 1 from the present $1,680 to $2,000. For a long while I have argued that this is one of the sorely needed social security amendments. This has been the shoe that really pinches. This has been the real drawback and the

great impediment to those who find it so difficult to live on their social security, because if they attempt to earn outside income it means a reduction in their social security benefits. There may be some things in H.R. 1 that are hard to swallow, but that one amendment in my opinion is so good and so badly needed that it takes away much of the sting and most of the bitterness from any of the other provisions that may not be so palatable.

Oh, there are many other things in the several titles of H.R. 1 that are worthy of approbation by mention. There is an increased benefit for the blind, and then in title II there are a series of amendments to medicare and medicaid which have long been needed. There is a provision for supplementary medical insurance for the aged and disabled on a yearly basis. As nearly as I can determine, all of these amendments should be acceptable to the entire membership. There is even a provision that in the event of a hardship case the grace period for paying a medicare premium should be extended to 90 days.

For the last two or three Congresses I have introduced a bill which would permit chiropractic services to be included in medicare. In this bill HEW is ordered to conduct a study of the benefits of including chiropractic services in medicare, utilizing the experience gained under the medicaid program.

In title III there are a series of amendments relating to assistance for the aged, blind, and permanently disabled, all of them designed to provide additional financial assistance to needy people who have reached age 65 or who are blind or disabled.

Legislating such a mammoth package as H.R. 1 is not the best way to proceed. No doubt there will be those who, as we come to the end of debate on this bill, will say that they support H.R. 1 reluctantly. After listening to the debate these past 2 days, and after supporting three separate efforts to strike out the most objectionable family assistance program as contained in title IV, now, when we are faced with all of the help and beneficial provisions as contained in titles I, II, and III, the best way I can put it is to conclude that I support H.R. 1 unavoidably.

Mr. CONABLE. Mr. Chairman, I yield 3 minutes to the gentleman from Illinois (Mr. ERLENBORN).

(Mr. ERLENBORN asked and was given permission to revise and extend his remarks.)

(By unanimous consent, Mr. ERLENBORN was allowed to speak out of order.)

DISSOCIATION FROM THE COMMITTEE PRINT ON INVESTIGATION OF THE HYDEN, KY., COAL MINE DISASTER OF DECEMBER 30, 1970

Mr. ERLENBORN. Mr. Chairman, if my words this afternoon convey an impression that I am angry and indignant, then they will have served part of their purpose. I am angry because the powers of one of the committees of this House have been used to mislead the press and, through its reporters, the people of this country.

A news story by United Press International appeared in Sunday papers throughout the country. Let me put into the record the first and second paragraphs of that story:

A House subcommittee said yesterday the U.S. Bureau of Mines should have known the Finley Coal Co. mine in Hyden, Kentucky, was dangerous and must bear a "heavy burden of responsibility" for a December 30 blast that killed 38 miners.

The House General Labor Subcommittee, in a 118-page report, said it would hold hearings shortly into the Bureau's general enforcement of the Coal Mine Health and Safety Act.

The UPI story continues for several more paragraphs, but these two suffice for the moment.

I want the record to show that a draft of a proposed report of the General Labor Subcommittee of the Education and Labor Committee said these things about the Finley Coal Co. mine and the U.S. Bureau of Mines—not the members of the subcommittee.

The report which the UPI was persuaded to quote was released without the subcommittee's knowledge. The matters which the story cites as conclusions of the subcommittee were, in fact, not its conclusions at all.

The summary lists 19 points which are covered in part I of the report and it reaches 19 conclusions on these points. These are preceded by a cautionary announcement that they are not intended to serve as a basis for conclusions; but the author immediately proclaims that the subcommittee has made certain judgments. One part of it reads:

The Subcommittee is of the belief that the technical aspects of the Bureau's post-disaster investigation were carried out efficiently, effectively, and creditably . . . Conversely, the committee is of the opinion that the procedural aspects of the post-disaster investigation left much to be desired.

It is my contention that the subcommittee is not of either opinion because its members have not been canvassed, and no subcommittee consensus has been agreed upon.

The reason for my indignation is that this report, marked a "committee print," was released to the press as though it was the considered judgment of its members, rather than the argument of one man.

We have a great national debate now going on about the people's right to know. I believe that the people do have a right to know; but they also have a right to demand honest legislative reports. They should get reports arrived at by consensus. They should not get opinions slyly foisted upon them as collective judgments.

When our subcommittee is ready to declare its findings about this coal mine tragedy, I want the declaration to be a collective, considered opinion, not a behind-the-back effort by one person to speak for all of us.

The conclusions stated in it were not presented to me, or—as far as I can ascertain—to others on the subcommittee for comment and possible modification before its release. No opportunity was given us to accept or reject the conclusions, in whole or in part.

The report was printed and distributed without our knowledge—at least without my knowledge; and I am the ranking Republican on the subcommittee.

I resent this furtive and high-handed misrepresentation.

I, for one, wish to dissociate myself from the "committee print" dated June 1971, and entitled "Investigation of the Hyden, Ky., Coal Mine Disaster of December 30, 1970."

Mr. CONABLE. Mr. Chairman, I yield 7 minutes to the gentleman from Indiana (Mr. DENNIS).

Mr. DENNIS. Mr. Chairman, I claim no expertise in the exceedingly difficult and complicated subject which the House is considering this afternoon, and I certainly pay my respects to those who, by virtue of their long work on this subject, are entitled to claim that expertise. Nevertheless, these distinguished gentlemen, in spite of their work and their labors, are not necessarily correct, and I will have to say that at this point in time I remain unconvinced, as a matter of philosophical persuasion, where this bill is concerned.

I have not had the opportunity, Mr. Chairman, that the members of the Committee on Ways and Means have enjoyed to study this bill in great detail. If I had had that opportunity, I suppose it may be possible that I, too, would have concluded that the way to reform welfare is to make public assistance clients out of the self-respecting and heretofore self-supporting working poor. Perhaps I, too, might have concluded that the way to reduce the burden of welfare is to begin by doubling the roll of recipients and adding $4 billion or $5 billion to the cost, without any real assurance that the ultimate result will be to decrease the load rather than to add to it. The number on the rolls in my State, by the committee's own tables will increase under H.R. 1 from 168,000 at present to 355,000 by 1973. It may be that I, too, would have come to accept the fundamental change in American philosophy which, for the first time, formally recognizes a right to a guaranteed minimum income payable out of the Federal Treasury, a proposition which seems to me to be truly the welfare state full blown. Perhaps, Mr. Chairman, I might have come to accept the undoubted fact that the proper level of that guaranteed minimum income payment is to be, from here on, an issue for demagogs, and others, in every political campaign. This is underlined, by the fact that since just last year the figure we are talking about has increased from $1,600 to $2,400, and it was underlined further by some of the debate I have heard this afternoon.

However, as things stand, Mr. Chairman, I am not prepared to accept, as of today, these philosophies. I cannot accept them as coming from the mount simply because a majority of the distinguished members of the Committee on Ways and Means have concluded that they are the revealed truth.

Surely, it seems to me that this House is entitled to work its will on alternate proposals after extended and intelligent debate. Surely the proposals of the gentleman from Oregon (Mr. ULLMAN) which I do not necessarily endorse, are worthy of something more than being a mere intellectual and academic discussion this afternoon. The closed rule, even

a slightly modified closed rule, is at best a denial of the essence of the parliamentary process, and in a major bill such as this one, I submit, it becomes a legislative outrage. Mr. ULLMAN's bill, and any number of other specific proposals, could easily have been made in order.

Two years ago when this same matter was under discussion, I stated to the House that in my judgment we were starting down a road which had no-turning and which led we knew not where. I remain today of that same opinion still, and I do not wish any part of the responsibility for starting on that journey.

Mr. CONABLE. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan (Mr. CONYERS).

(Mr. CONYERS asked and was given permission to revise and extend his remarks.)

Mr. CONYERS. Mr. Chairman, I cannot support the legislation before us today. The so-called welfare reform provisions of this bill insult the very people who are supposed to benefit from it. The poor have been put in a position where it is practically impossible to institute change even in their own lives. They are expected to lift themselves up by their own bootstraps when in fact they do not have boots. The truth of the matter is the poor have become institutionalized in our society. And so, discarded and disregarded by an economy that systematically drains them of the chance to live decent lives, they have come to us to ask for a new and different way to exist in this Nation. Our answer to them is H.R. 1, a bill which is based on the ridiculous underlying assumption that welfare recipients would deny themselves better lives rather than work; that they would deny their children food rather than try to live out the American dream.

And so we still cling to the outmoded liberal notion that if we could somehow light a legislative fire under the seats of 13 million Americans, we could get them off welfare. This, of course, allows us to ignore the fact that growing unemployment is built into our economy and is a byproduct of our present life style, a life style which perpetuates the fictitious notion of the availability of the good life for all. It allows us to ignore the fact that the economic dislocation of workers persists and is growing each year. The elitist atmosphere of this body has made it easy for us to become skilled at evading the fundamental question of the relationship between the inequitable distribution of wealth and the vast poverty which coexist in this country. If there is a welfare scandal it does not concern the wretched poor who are driven to the welfare roles, but more properly concerns the dole we give to the vested interests in a hundred ways.

It is the height of arrogance to repeatedly assert that millions of our people would consciously choose so desperate and hopeless an existence for themselves and their families if a better alternative were available. My vote is against a repressive welfare measure. My vote is against the procedures of this body, and the leaders whose silence indicates their implicit approval to these procedures, procedures which deny the voices of the poor to be heard here today. My vote is against a committee which meets behind closed doors without benefit of public scrutiny to report a bill 687 pages long. My vote is against a rule which only allows this body to vote up or down, without an opportunity to modify or improve provisions of this bill affecting so many millions of our citizens. We have had closed hearings, closed rules and closed minds.

There will be a better day for the poor in America, but that day is not today. My hope is still that Members of this body will legislate based on a wisdom rich with compassion and understanding for all our people.

Mr. CORMAN. Mr. Chairman, I yield 5 minutes to the distinguished gentlewoman from Michigan (Mrs. GRIFFITHS).

(Mrs. GRIFFITHS asked and was given permission to revise and extend her remarks.)

Mrs. GRIFFITHS. Mr. Chairman, if I were a poor family in a State tonight that obtained $44 in welfare, I would consider this bill a reform and I would curse the man who voted against it.

If I were a child tonight in a family whose father had had to leave that family so that family could draw welfare, I too would curse the person who voted against this bill.

Of course, I realize that all of us are well aware of the real horror of that old "man in the house" rule. We agreed that that was an immoral choice. But we have ignored other immoral choices. I would like to bring to your attention some of those of the present welfare system.

The present welfare system says to every woman in America, "You may have a child, and you may marry the father or not, but if you choose not to do so the rest of us will support you." Or to a wife, a mother of several children, "You may live with your husband or not, and if you choose not to do so the rest of us will support you."

This bill corrects that. That choice is not going to be offered any more. Those women are going to have an opportunity to work.

Now, I know that there are a lot of people around here who are shedding great tears over the thought of those women leaving those children in day care centers and going to work, but I will believe it, Mr. Chairman, the day I see some bills introduced into the hopper that suggest that every widower remain at home with his children, and the rest of us will support him. Nobody, Mr. Chairman, would be for that.

As a woman who works, I am not for supporting other women who do not work, largely because our society does not offer them a chance to work; does not offer them the training, does not offer them the schooling nor the opportunity. This bill requires that in the first teenage pregnancy of a girl that that girl be permitted to continue in school, or that she be given training. She is to have the first call on day care. This, Mr. Chairman, is a real reform. This will do more to help those families than any other suggestion that has been made.

I would like to say that part of the country obviously believes that all of those who draw welfare are riding around in Cadillacs and wearing mink stoles; the other part believes that everyone on welfare is starving to death. Nobody knows which one is really true, but this bill also offers some hope that in the future we will all speak from exact facts.

In this country now if you give a child at birth some money, and the money is put in the bank, that child has to have a social security number. That is also true if you give the child a bond, or some stock, but it is not true if you draw welfare; then you do not have to have a social security number.

Social Security Administration has been instructed that when you apply for welfare you will get a social security number. Personally, I think you should be given that social security number at birth, that it be placed on your birth certificate, along with that of the parents and that we stop the triple play in social security numbers.

To all of those who say that this bill is no reform I say you do not know the law as it is at present, you do not know all of the mistakes that have been made. This bill gives people a chance who never had a chance.

I think the President is to be commended, and I think the bipartisan effort that brought this bill to the floor is to be commended. I urge you to vote down the motion to strike title IV, and to support the passage of this legislation.

The CHAIRMAN. The time of the gentlewoman from Michigan has expired.

Mr. CORMAN. Mr. Chairman, I yield 1 minute to the gentleman from Ohio (Mr. CARNEY).

Mr. CARNEY. Mr. Chairman, I want to go on record in support of the bill, H.R. 1, as submitted to this body by the Committee on Ways and Means.

If I were to cross every "t" and dot every "i" of this bill, I perhaps would change many things. However, the art of politics is known as the art of the possible, and therefore I wish to compliment the chairman of the Committee on Ways and Means, the gentleman from Arkansas (Mr. MILLS) and the committee for the fine job they have performed. I support this bill 100 percent and urge the adoption of the bill as it was reported by the committee.

Mr. CORMAN. Mr. Chairman, I yield 1 minute to the gentleman from Illinois (Mr. MIKVA).

(Mr. MIKVA asked and was given permission to revise and extend his remarks.)

[Mr. MIKVA addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.]

Mr. CORMAN. Mr. Chairman, I yield to the gentleman from Illinois (Mr. PUCINSKI).

(Mr. PUCINSKI asked and was given permission to revise and extend his remarks.)

[Mr. PUCINSKI addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.]

Mr. CORMAN. Mr. Chairman, I yield 1 minute to the gentlewoman from Missouri (Mrs. SULLIVAN).

Mrs. SULLIVAN. Mr. Chairman, one of the most difficult votes I was called upon to cast in the 91st Congress was on H.R. 16311, the family assistance plan, or FAP, because I had decided, after hearing the entire debate on this controversial proposal, that I could not in good conscience support it. As I said then, on April 16, 1970—pages H2303–H2304 of the daily CONGRESSIONAL RECORD:

I have never pretended, even to myself, that everyone else is wrong and I alone am right because I know that could not happen in the Congress or anywhere else. But I have deep reservations about this bill after hearing the entire debate—reservations so deep about the eventual direction or cost of this program, compared to its anticipated results, that I have reluctantly decided I must vote against it. The fact that it would cost so much, to do so little, and the fact that the cost of doing what would have to be done if the concept of the bill were really to solve anything would be so prohibitive fortify my conclusion.

In view of the widespread support that this far-reaching bill was receiving here in the House last year, and the fact that it was being strongly urged upon us by the President and strongly supported by the Committee on Ways and Means, which includes Members who enjoy the highest degree of respect and esteem among all Members of the House, I added:

Perhaps other Members have more wisdom, more knowledge of this issue, more confidence in the draftsmanship of this program, and do not suffer the same doubts I feel so strongly. I recall that a lot of Members of Congress could not see the good in the social security bill in 1935, and made a partisan issue of it, and voted against it, and of course were wrong.

On a measure like this bill, one can imagine that a "no" vote, for whatever reason, might stand forever as a monument to one's lack of foresight. Thus, with so many Members ready to accept this bill, I feel somewhat lonely in taking a negative position, but I think the Members here know that I do not cast my vote lightly on any issue or without feeling in my heart that my vote is the right one. On that prayerful basis, I will vote "nay."

REASONS FOR VOTING AGAINST LAST YEAR'S BILL

Mr. Chairman, there were many reasons I cited last year for opposing the Family Assistance Plan—among them, the inadequacy of the benefits in the industrialized areas of the country; the invitation to cheaters and chiselers to file applications for benefits they were not entitled to, but which they would receive until and unless the computer caught up with them; the utter lack of a sufficient program of daycare centers necessary to accomplish the hopeful goal of turning welfare mothers into wage earners; and the demonstrated failure of the States to accept their responsibilities under legislation we passed during the Kennedy and Johnson administrations for work-incentive programs for those on public assistance—indicating that many of the States looked upon the Family Assistance Plan not as a plan for improving services, including rehabilitation and training for those on welfare, but rather as a method for dumping the entire cost of welfare on the Federal Government.

The States which have done very little to establish decent minimum standards for public assistance would have reaped a great advantage from the bill last year, and those which had tried to meet their responsibilities to their poor would have found themselves getting less from the Federal Government and paying more for welfare if they were to maintain their standards.

H.R. 1 "IMPROVES" BENEFITS BY ELIMINATING FOOD STAMPS

This year, in a new bill, H.R. 1, some of these issues have been grappled with but, in my opinion, not solved. This time, however, the main effort at solution seems to have been directed at taking away from the poor in most States the genuine opportunity to eat properly, and giving them instead—if the States will agree to provide the money—cash approximately equivalent to the extra food purchasing power eligible families have been receiving under the food stamp program.

I wonder how many Members of the House believe that a welfare family of four persons, given $800 as part of the welfare benefits, and told that that full amount should be spent for food, because it takes the place of $800 additional food purchasing power under the food stamp program, would actually spend all, or most, of that money for food. Food is the first thing poor people scrimp on when their income is too low to meet what they regard as the necessities of life.

That is the main reason we enacted a food stamp law in 1959—a law which the Eisenhower administration refused to put into effect—and the reason the Kennedy administration instituted its pilot program in 1961 and we passed the Johnson administration Food Stamp Act in 1964. Giving poor people extra money in preference to food stamps will enable them to buy other things but not accomplish the goal of assuring adequate nutrition.

H.R. 1 eliminates the food stamp program for all families which become eligible for the family assistance plan. According to the additional views of the gentleman from Florida (Mr. GIBBONS) in the committee report on H.R. 1, he was the member of the Committee on Ways and Means who proposed killing off what he called the "funny money" of food stamps for welfare families and provide them with an equivalent amount of extra cash instead. It is my understanding that Representative GIBBONS does not have the food stamp program operating anywhere in his congressional district. He may have strong feelings about it, and against it, but I do not think those views are necessarily shared by Members who have joined me over the years in pushing the food stamp program through to enactment and fighting for its survival and expansion and improvement.

1971 FOOD STAMP AMENDMENTS SHOULD BE REPEALED

There is something to be said, of course, for substituting cash for the kind of food stamp program enacted by the Congress late last year and signed into law by President Nixon on January 11, 1971, because the Food Stamp Act as now written is a disaster. But the new amendments to the law have not yet gone into effect, and I hope that it can be repealed before it causes the harm it portends. Nevertheless, the answer is not to do away with the food stamp program but to make it work more humanely and more efficiently—and more effectively—now that Congress has finally provided the necessary funding for a good program.

In a speech in the House on May 13, 1971, page H3907 Mr. Chairman, I described what was wrong with the January 1971 amendments to the Food Stamp Act, and why some of those who have been castigating the Department of Agriculture for its alleged insensitivity to human needs in drafting its proposed regulations under those amendments should look instead at what the Congress did to turn a good law into a disaster.

Instead, the Committee on Ways and Means proposes, as part of the family assistance plan, to eliminate the only real tool we now have to assure that needy parents, paid by the Federal Government and the States to care for their own children, do in fact spend enough of their limited incomes for food to assure proper nutrition for those children. One of the worst scandals about welfare has been the high incidence of neglect of the very children whom the programs were primarily intended to help. The records of the Selective Service System documented this neglect in thousands upon thousands of cases of young men found ineligible for military service because of malnourishment during their formative years, and these were frequently youths who had grown up in families which had been on the aid to dependent children program.

TOO OFTEN FOOD IS A LOW PRIORITY ITEM IN HOUSEHOLD EXPENDITURES

Most of the responsibility for this malnourishment lay in the inadequate levels of welfare payments in many of the States—there is no question about that. There just was not enough money to meet minimum needs. But a lot of it was due to the failure of the adult members of the family to use what limited resources they had with sufficient concern for the children's welfare—the "relief check" could go for anything the adults wanted to buy, and too much of the check often went to cars and television sets and cigarettes and whisky and clothes for the adults, and very little of it went for food for the children.

The food stamp program, with all of its admitted faults, nevertheless changed these priorities, so that families participating in the food stamp program knew they had to spend x amount of their income for food and for nothing but food in order to continue to be eligible for the benefits the food stamp law provides.

So overnight, we had a revolution in the eating habits of the poor covered by this program—instead of handouts of dried beans and powdered eggs and the

other surplus commodities, plus a lot of starches, these families began to enjoy fresh meats, fresh vegetables, fresh eggs, fresh milk, and all of the other good basic foods of the American agricultural abundance.

Now, under H.R. 1, we would go back to the old system which left the purchase of food for the children something you buy if you can afford it—not as a high priority item on a very low income.

THE "INDIGNITY" OF USING FOOD STAMPS

There has been a great deal of high-minded nonsense expressed about the "indignity" to poor families of using food stamps for their food purchases. I personally know many fine and decent people who have used the stamps and who do not object to participating in a Federal program which enables them to eat properly. The same grocery checker who accepts and cashes the food stamps for food purchases would now be cashing the welfare check—I mean, the Family Assistance Plan check—and I do not know of many instances in which a family on assistance would hesitate out of a sense of "indignity" to present its welfare check to some one who will cash it for them.

Many people receiving food stamps are not on any form of public assistance, yet they are more than willing to identify themselves to the grocery store checkout clerk as food stamp recipients in order to obtain the extra food the stamps will buy. I think we have to look at this issue from the standpoint of what enables people to meet their living costs rather than how a Member of Congress might think the person feels in asking for help.

I would urge the Members to get out among their constituents who are on the Food Stamp program and ask them how they feel about the stamps.

Mr. Chairman, there are many things in H.R. 1 which I can support. I approve of requiring runaway parents to help support their children; I approve of training the untrained for employment, and then helping them get the jobs for which they have trained; I encourage the idea of encouraging those on welfare to become self-supporting, with whatever programs are necessary to bring about that achievement; I endorse the provisions to increase social security benefits, and to improve services under medicare; I endorse, as far as they go—and they do not go far enough—proposed day care centers which are absolutely essential if mothers of young children are to be able to go to work.

But I cannot support the bill's title IV, and I shall vote to strike it from the bill. This time, I think far more Members of the House will join in such a vote than did last year in voting against H.R. 16311, when the Family Assistance plan bill first was passed by the House only to die in the Senate.

Mr. CORMAN. Mr. Chairman, I yield 1 minute to the gentlewoman from New York (Mrs. ABZUG).

(Mrs. ABZUG asked and was given permission to revise and extend her remarks.)

Mrs. ABZUG. Mr. Chairman, to many, this bill brings important benefits. It grants a substantial increase in social security payments. It liberalizes a number of benefit eligibility requirements. It provides for future adjustments in benefit levels to reflect increases in the cost of living. It also provides some relief—however inadequate—for women wishing to deduct child-care expenses from their tax bill.

I stand in opposition to that part of the bill which is title IV, which would enact two new family programs—opportunities for families—OFF—and the family assistance plan—FAP—in place of the current aid to families with dependent children—AFDC—program. This portion of the bill represents a giant step backward.

It compels mothers to work without providing for adequate care for their children.

It provides for a basic level of benefits which is barely one-third of the Bureau of Labor Statistics' "Lower Living Standards."

It encourages the States to reduce benefit levels and discourages them from raising benefit levels, even if there are major increases in the cost of living.

It contains distinctions between the family programs and other federally assisted categories which clearly have as their basis a desire to discriminate on the bases of sex and race.

Under the guise of being a reform measure, it will leave many recipients of public assistance—perhaps 90 percent—worse off than they are under the present system.

Women, of course, are the primary victims. Under H.R. 1, they will be forced to undergo training for menial, low-paying jobs. They will be made to accept those jobs no matter how demeaning. And, most important of all, they may well be compelled to leave their children, at home or on the streets, without adequate child care, in order to go to work or to attend training.

Yes, this bill is truly repressive when it comes to women. You may have noticed, for example, that although only 16 percent of present female welfare recipients have finished high school, job "training" under H.R. will not even include basic adult education. You may realize, as the Secretary of Labor has, that the kinds of jobs welfare recipients will be expected to fill will be the low-paying jobs nobody else wants—for women jobs as domestics. And you may have seen, through the process of simple addition, that the money H.R. 1 authorizes for child care—$700 million—would not even begin to meet the need for services for children currently on welfare.

With respect to this last point, yesterday in debate on this measure the gentleman from Arkansas assured me that although no mother would be compelled to work if child care were not available, the amount authorized under the bill would be enough to meet the need. Yet it is my understanding that there are now 1,262,400 children under 5 on welfare. If the estimated cost of child care per child is $1,600—and that is the conservative, administration estimate—then by my calculations the cost of child care for mothers compelled to work under this bill will be more than $2 billion—a far cry from the $700 million the gentleman says will meet the need as he has estimated it. What this says to me is that the proponents of this bill either believe the money will materialize, unathorized, out of the air—or, what is more likely, they simply do not care that thousands of mothers on welfare will be compelled to leave their children hours of each day without adequate care.

The bill provides for a basic income level of $2,400 per year for a family of four, with no requirement that the States supplement this at all. In January 1970, the Bureau of Labor Statistics' "Lower Living Standard" was set at $6,960 for a family of this size, and the 5.9 percent increase in the cost of living since then would bring this figure up to $7,370. States which keep payments at the present level will be protected by the "hold harmless" clause of the bill if their total payments exceed current levels due to caseload increase, but a State which increases its level of benefits for individuals will receive no such protection. This means that for cities such as New York, where the cost of living is rising faster than in the Nation as a whole, there will be an almost insurmountable disincentive to the granting of even cost-of-living increases. This leaves the Congress in the rather hypocritical position of passing a bill which grants cost-of-living increases to those who receive their Federal benefits under the Social Security System while effectively prohibiting the granting of such increases to those who receive their Federal benefits under the two new family programs. Furthermore, it will help people in only the five or six States in the Union whose payment level is now less than $2,400. It will not help the industrial States and it will not help the cities.

In addition, the bill provides for significant differences between payment levels under the family programs and those under the existing categorical programs aid to the aged, blind and disabled. By 1974, for example, an aged, blind or disabled couple will be receiving the same amount—$2,400—as a family for four receiving assistance under one of the family programs. Even allowing for the fact that very young children might require less food than adults, it is inconceivable that a family of four under one program requires that the same amount of money to live as does a family of two which happens to be getting its benefits under another program.

What, then, is the reason for this gross distinction? Mr. Speaker, the fact of the matter is that most of the families which presently receive benefits under the AFDC program, and which will be receiving benefits under the family programs, are families which are headed by women; in addition, far more of these families are black, Puerto Rican and Mexican-American than are those in the aged, blind and disabled programs. This bill not only continues this country's pattern and discrimination against women and other oppressed groups, but actually makes it far worse.

This bill strikes out against poor people, women and children. It helps few

people and harms many. It is presented to us as a reform bill, but its thrust is in fact a backward one. I respectfully urge its defeat.

Mr. CORMAN. Mr. Chairman, I yield 1 minute to the gentleman from Maryland (Mr. LONG).

Mr. LONG of Maryland. Mr. Chairman, the great virtue of this legislation is supposed to be that it provides incentive to work.

I submit that this is an illusion. I have some statistics here, taken from official sources.

These figures show that the average retail worker in these United States earns $354 per month, which places him just above the point at which he could get any help from this welfare bill.

If a person—head of a 4-person family—does not work, he gets $200 per month.

The man who works and earns $354 per month is subject to many deductions, before he can compare his net income to the person who collects $200 a month welfare. First, he must pay $56 for work expenses such as expenses for lunches, bus fare, clothing, dues, uniforms, tools, et cetera.

Second, the man who earns his income by working must also deduct $26 per month for taxes and that includes Federal taxes, Maryland State and local taxes, both income tax and social security tax.

He must deduct in addition $48 for health care insurance, physician visits, drugs, dentist, and other expenses that a person gets free when he is on welfare.

Third, the working man must also deduct a very nominal estimate of $5 a month for doing a lot of the things a person on welfare has the leisure to do for himself, like painting his kitchen.

Mr. Chairman, this leaves the average retail worker who works for a living only $19 a month better off than a person who sits home on welfare. That means that the average retail worker gets less than 10 cents an hour for the 200 hours a month that he puts in hard labor and for commuting back and forth to work.

How can we escape the conclusion that millions of people either now, or eventually when the word gets around that work is a sucker's game, will avoid work and move on to welfare. The result is going to be a tremendous increase in taxes, a permit for gathering inflation, and a deep growing resentment on the part of the middle-income workers, who do the work and pay the higher prices and taxes. I oppose the family assistance feature of this bill.

Mr. CORMAN. Mr. Chairman, I yield 1 minute to the gentleman from Missouri (Mr. RANDALL).

Mr. RANDALL. I am grateful for being granted this brief moment to make an observation or two. I recall a colleague a few years ago said that it would take him about a minute to clear his throat. At the proper time I shall ask unanimous consent to revise and extend these remarks in order to try to stretch this minute to briefly discuss title IV of H.R. 1.

Mr. Chairman, those Members who were not here before the quorum call a while ago have missed some real gems. One I recall was by the gentleman from Virginia (Mr. SCOTT) who pointed out that the bill contains 687 pages and the report contains 386 pages, for a total of 1073 pages, and that he doubted if there were many Members who had an opportunity yesterday, last night, and today to read all the contents of those two documents. I want to associate myself with his remarks, and make the further comment that this massive, monumental type of bill is not the right or the best way to legislate. All any of us can do under such circumstances is to place our faith in the Committee, and then proceed to do the best we can with our limited staff to research the provisions of the bill, in an effort to determine how this would apply to our own States and to our own districts.

There was another speech on the floor awhile ago which was well worth listening to. The gentleman from Louisiana (Mr. WAGGONNER) predicted that if title IV of H.R. 1 remained a part of the bill, the numbers in this country on welfare would increase from approximately 15 million to 25 million within a very short time.

Mr. Chairman, like so many of my other colleagues, I have not yesterday or today been able to digest all of the contents of the 1,073 pages. There are two pages of the bill that I would make reference to in the time which has been allotted to me. I refer to pages 560 and 561 of H.R. 1 where the language states that any individual shall be considered to be available for employment for the purposes of this title unless he has been determined by the Secretary of Health, Education, and Welfare to be unable to engage in work or training because of illness, incapacity, or advanced age.

The foregoing wording taken from title IV of H.R. 1 sounds something like the old "workfare" of the bill we considered last year on this same subject. Unfortunately, in H.R. 1 the word "suitable" is not to be found, as was true in last year's bill. Some have argued that there are no real work requirements in this bill. Those who support title IV speak rather eloquently to the point that all individuals under the Family Assistance Plan who are considered available for employment will have to work. As I read section 2111, it contains not only a small loophole but a hole big enough to permit almost unlimited evasion of the requirement to be available for work if an applicant is going to draw welfare. The reason I reach this conclusion is that, under this same section, all registrants must be available and ready to work unless the Secretary of Health, Education, and Welfare shall determine that they are unable to engage in work or training because of illness or incapacity. What does this mean? That means that it will not be the Secretary of Health, Education, and Welfare who makes the determination, but it will be some social worker in a subordinate capacity somewhere down the line.

Before I could support title IV of H.R. 1, I would have to be assured that all welfare recipients would have to register for work. Then, if they get a bona fide job offer and turn that offer down, they would be off the welfare rolls unless they can immediately produce a doctor's certificate from a reputable practitioner, that they are unable to engage in work because of illness or incapacity. Then and only then should they be excused from work. A registrant should never be excused by the simple certification of some caseworker who patiently listens to a tale of woe from an able-bodied man, too lazy to work. In such a case, the finding of illness or incapacity may be simply because her caseload was so heavy that to grant the excuse not to work was the simplest and easiest thing to do under the circumstances.

Mr. Chairman, the content of title IV is so unacceptable that I hope it is stricken. However, there are so many provisions in this bill it is difficult for a Member not on the committee to familiarize himself with all of them. I will take the time to point to page 589 of the bill, where is found the only penalty I can locate for refusal to accept or continue to work in order to receive welfare. On page 589 there is a penalty for those who are available for employment but who fail to register to accept manpower training services or accept continuing employment. The penalty is a modest one. The amount of benefits which would be payable would be reduced by $800 per year in the case of each of the first two such family members who either refuse to work, accept manpower training or decline to participate in rehabilitation services. What does such a penalty really mean? Well, it is not much punishment because if you take that $800 from the $2400 guaranteed annual income you are back to the figure of $1600 which was the floor placed under the Family Assistance program in the bill which passed the House last session, over the opposition of many of us.

Mr. Chairman, the tragic thing about H.R. 1 and the rule which brings it to the floor is that it will permit only one motion to strike. However if title IV should be successfully stricken from H.R. 1 there will be no opportunity to offer a viable alternative.

The gentleman from Oregon (Mr. ULLMAN), does have in my judgment a meritorious alternative in his H.R. 6004. He believes with proper reasoning that the only way the work program will ever be made to operate successfully is by the provision of adequate child care. In other words, in order to truly have welfare reform and reduce the number on the rolls there must be a provision for day care. Mothers of young dependent children cannot be expected to accept employment unless there is day care. While H.R. 1 gives lip service to the requirement that welfare recipients are going to have to work, nice sounding phraseology is about the size of it. The provision for day care is tokenism and no more. Along with the gentleman from Oregon, I am inclined to believe that if enforceable provisions can be written requiring manpower training

or the acceptance of employment, then the time may come when applicants who have the capacity to work or be trained for work will prefer not to stay on relief.

The present provision for guaranteed income is repugnant to the work ethic which has made our country great. I am not going so far as to suggest that title IV will be impossible to administer. I do believe that it may be the subject of lax administration by HEW and perhaps not much better by the Department of Labor. I cannot buy the argument that if title IV is voted down, there is no other alternative. For that reason, Mr. Chairman, when a motion to strike is offered I urge my colleagues to eliminate title IV from H.R. 1. Then let the Committee on Ways and Means respond with an alternative which we can all support.

Mr. CORMAN. Mr. Chairman, I yield 10 minutes to the gentleman from California (Mr. BURTON) to close the debate.

Mr. REID of New York. Mr. Chairman, will the gentleman yield?

Mr. BURTON. I yield to the gentleman from New York.

(Mr. REID of New York asked and was given permission to revise and extend his remarks.)

Mr. REID of New York. Mr. Chairman, I rise in support of this legislation.

Mr. Chairman, I rise in support of title IV, the welfare reform plan.

My strong reservations over many provisions in this proposal are overcome by my conviction that we must keep the door open and allow the process of consideration of this vital issue to be continued.

I support the concept in this bill which establishes Federal responsibility for welfare and establishes a uniform national standard. I support the concept of authorizing benefits to the working poor as well as to the unemployed on a national basis, and I support the effort to extend the day-care benefits to the children of welfare mothers.

However, I am genuinely and deeply concerned over the failure of the committee to protect the rights of welfare recipients. Specifically, I strongly oppose the following provisions:

The absence of any requirement that States supplement the Federal grants threatens that some welfare recipients may be worse off under this bill than under the present system. Although the bill does take the States off the welfare escalator to some degree, since the Federal Government will pay for the additional caseload, the need for financial relief for States which have in the past made the greatest effort on behalf of the poor, such as New York, is not recognized.

The income level of $2,400 for a family of four, paired with the noneligibility of welfare recipients for food stamps, and the lack of a provision accounting for cost-of-living increases, is far below the official poverty level, let alone what would be necessary for a family of four to live decently.

The "family maximum" in the bill means that a family of 12 will get no more benefits than a family of eight.

The stringent work requirements mean that in many cases mothers with preschool children will be forced to accept any job offered them. This should be amended so that mothers would have to accept only "suitable" employment, under suitable circumstances, if appropriate day-care centers were available.

Insufficient funds for day care, a total of about $750,000,000 to make 875,000 slots, thus an average of about $860 per child could mean that day-care facilities will be little more than custodial facilities. In reality, we need to provide 5 million slots, at a cost of about $2,000 per child. Hopefully our child development bill, which has just been reported from our Select Subcommittee on Education to the full Education and Labor Committee will encourage the development of standards and the provision of services which are comprehensive and not merely custodial.

The lack of job protection in the bill and the requirement that welfare recipients accept jobs at three-fourths the minimum wage, as if they were only three-fourths human, threatens to harass welfare recipients and deny them the rights of any citizen of this Nation.

In sum, however, I look on this bill as a mechanism which will open the door to welfare reform, if it is not reform itself.

We in the House must remember that this Congress is bicameral. Although I agree with many who believe that this bill is distasteful and regressive, possibly even repressive, if we kill it, the Senate, for all practical purposes, will be unable to act, and any welfare reform bill will be stalled for an undetermined time. On the other hand, if we pass it, there is a real chance that the other body will significantly improve it, and that the welfare system will then have made at least a few steps forward out of its present ever-growing quagmire.

If, however, the Senate is unable to improve the bill, and the specific provisions I mentioned, or if the conference committee comes back to the House with a bill which is basically equivalent to the one we are considering today, I will have serious reservations about voting for passage of the conference report.

On a different subject, regarding the social security provisions of H.R. 1, I was pleased that the Ways and Means Committee decided to include a 5 percent increase in benefits, effective July 1, 1972; and to help ease the economic squeeze on our senior citizens by authorizing automatic cost-of-living increases, provided the consumer price index climbs by at least 3 percent and no increase was enacted by Congress the previous year. H.R. 1 would also provide proportional increases in the amount of allowable earned income while receiving benefits.

This bill will also entitle a widow or widower to 100 percent of the deceased spouse's benefit, instead of the current 82½ percent; reduce the waiting period for disability payments from 6 months to 5; and allow working married couples the option of having their retirement benefits computed on the basis of their combined earnings if it will result in a higher benefit.

Many of my constituents have contacted me to express strong frustration over the fact that social security contributions are taken out of their salary if they continue to work full time after age 65, yet in effect they are ineligible for the benefits they are paying for. This inequity has been recognized, in part, in H.R. 1 by allowing an increase in benefits for those who delay retirement beyond age 65. As an example—all other considerations aside—a man who elects to not collect benefits until age 72 will receive a 7 percent higher benefit than he would have at age 65.

Under our present social security law, and since the inception of the program, women have had a distinct advantage over men in determining average earnings to base benefits on. Years up to 65 are taken into account in determining average earnings for men, while for women only years up to age 62 apply. This obvious discrimination will be remedied by the bill before us today, by applying the same rules to men as now apply to women.

Although I feel H.R. 1 is a strong step forward in correcting many of the inadequacies and iniquities of the social security law, there is one aspect in which I feel we have failed to make our social security system receptive to the needs of those enrolled. This is in only granting a $320 per year increase in the amount of allowable outside income—from $1,680 to $2,000. This figure is unrealistic and in my opinion acts as a punishment to those still wishing to be a productive member of society.

I have introduced legislation to completely remove this income limitation, as I believe that social security benefits should be treated as the end result of a bought-and-paid-for retirement program. I am hopeful that the Senate will again express its rejection of this figure, as it did last March, by amending H.R. 1 to increase the outside income limitation to a minimum of $2,400.

Mr. BURTON. Mr. Chairman, in my judgment, we will not have in the political lifetime of any one of us a more important decision. What is the welfare program? The welfare program was constructed because at most times in the history of the American society we have not had a job for all of those who want to work; and for those who became unemployed through no fault of their own, we have not had a decent and adequate

unemployment insurance system; and for those who are crippled for one reason or another, we have not had an adequate income maintenance or workmen's compensation program. So, the welfare system must fill these gaps.

What hath the Ways and Means Committee wrought?

I, for one, believe that WILBUR MILLS and JOHN BYRNES deserve the everlasting gratitude of every single Member of this House who is concerned and alarmed at the incredible welfare mess that exists in the American Nation today. Does that mean that the job they have done is perfect? Heavens, no. We have heard from some of the most thoughtful Members of this House who have justifiably raised questions about the inadequate level of a $2,400 Federal minimum. In many parts of the country, particularly the big cities, the $2,400 is the Federal commitment, not the end of the road.

The genius of this legislation is that it establishes a Federal commitment as a minimum, and permits each State, if they so desire, to raise or lower—and that is the authority they have today—to raise or lower the benefits, but not below $2,400. Under H.R. 1 the States with a higher cost of living will undoubtedly provide for supplemental payments.

But more importantly than that, this bill fixes political responsibility at the political level where the benefits are either raised or lowered. This bill stops the fiscal shell game. The State legislatures cannot raise the benefits and say, "It really is not our money; it is Federal money." If the State raises the benefits, that State will have to come up with all the money under this bill.

Similarly, if the Federal Congress raises benefits, not as in the past, half of it being State money, if we raise benefits, we have to come up with all the money. What is wrong with that? If we are willing to take the votes and get the credit for raising the benefits, we should share in the responsibility of raising the revenue.

On the other hand, if the State legislatures want to cut, let them stand up and be counted.

Do not accuse us of cutting benefits. H.R. 1, with the committee amendment, does not do this. The monkey will be on the backs of the State legislators. If they believe it is in the public interest to cut or raise benefits, let them do so and accept the good or ill that follows.

I, for one, lament that there is not an income maintenance provision for the recipients. I believe a good many of our colleagues share that concern and view. I know a number of the people on our side, who are voting for the bill, have not lost the determination to restore the Nixon proposal, and the original Mills bill which contained an assurance that the recipients are not hurt by the passage of this legislation. Those who continue to be eligible under the bill should not be hurt by the mere fact that we have rearranged the way in which we change the welfare payment system—and we shall urge and press this suggestion upon our colleagues in the other body.

Mr. CONYERS. Mr. Chairman, will the gentleman yield?

Mr. BURTON. I yield to the gentleman from Michigan.

Mr. CONYERS. Has the gentleman asked his constituents who are on welfare whether they support this bill or not?

Mr. BURTON. No. The bill is about 600 pages long. The committee report is some 450 pages. I have read both three or four times, but I have not sought the opinion of those who did not have an opportunity to read the bill.

Mr. CONYERS. Did the gentleman ask for advice from organizations representing them?

Mr. MILLS of Arkansas. What organizations does the gentleman talk about? What is their representation?

Mr. CONYERS. If there are two, did the gentleman check with them?

Mr. BURTON. No. I am of the political mind that it is my responsibility, without regard for those with whom I find myself in agreement or not, to weigh the facts and to make my decision based on those facts, not to seek an opinion on a highly technical bill from those who may or may not have had an opportunity to study it.

But in connection with the highly technical bill, let me make a few assertions, as I understand this procedure.

Assertion 1 is that this bill provides for increased child care facilities, which we all know is imperative if we are to make the job provisions for working mothers meaningful.

I oppose, and I would hope the Senate would drop out, the work requirement with respect to mothers with young children.

But there is another part of this work provision I have no problem with at all. I personally have no problem with respect to an able-bodied man living in the home. If that family is to qualify for welfare and there is a decent and suitable job open, he ought to take it. That is what I think.

But do Members know what the existing law is? In half of the States of this country today—this is part of this stinking welfare mess—an able-bodied man in the home, looking for work, willing to work, if he stays in the home, causes that family not to get a dime. This man is penalized for staying with his family, with his wife and children. Those days will be gone under this bill. That father need not be driven from the home to get public assistance for his family.

That father, if he is able-bodied, must register to work, and if there is a job—a suitable one, I would hope—open, he will have to take it under the terms and conditions in this bill. That is an enormous improvement over the current irrational and inequitable setup we have in this particular respect.

Mr. Chairman, I would urge one final point. There have been concerns expressed that in some way or another this bill will rob recipients of certain procedural due process rights. I have talked to every member of the staff and to the chairman of the committee, and I have been assured, and I believe, and the bill and the committee report appear to say to me, that the Goldberg against Kelly case and other decisions of the Supreme Court affecting the rights and procedural due process afforded to recipients under the current public assistance law are not disturbed by this legislation, was never intended to be disturbed by this legislation, and such is the fact.

I would appreciate the chairman's opinion on this matter.

Mr. MILLS of Arkansas. Let me respond to the able gentleman in this way. The hearings to which the bill refers would be subject to the Administrative Procedures Act and all the safeguards for a fair and equitable hearing in that act would apply to these hearings. Moreover, where the courts have required, as they have in some cases, that benefits once established cannot be terminated until the final decision has been made, then such rulings would apply also to the procedures under this program.

Mr. CAREY of New York. Mr. Chairman, will the gentleman yield?

Mr. BURTON. I yield to the gentleman from New York.

Mr. CAREY of New York. I thank the gentleman for yielding.

The gentleman pointed out that the Administrative Procedure Act does cover the review of benefits under this bill. It has been erroneously contended it did not.

Furthermore, I have heard criticism that there are undue penalties contained in this bill against those who might commit fraud, who would seek to evade responsibility to support their children. The bill carefully states that we are doing nothing more in the enactment of this bill than we have provided in the same provision now contained in the Social Security Act, which has never been objected to by anyone with respect to the Social Security Act. So there are no more penalties in this bill than are presently in the law with respect to those persons; is that correct?

Mr. BURTON. That is my opinion.

Mr. CORMAN. Mr. Chairman, will the gentleman yield?

Mr. BURTON. I yield to the gentleman from California.

Mr. CORMAN. Mr. Chairman, I would like to associate myself with the remarks of the gentleman in the well. He has very accurately stated the important parts of this bill. I urge my colleagues to vote against the motion to strike title IV.

Mr. BURTON. I thank the gentlemen.

Mr. MILLS of Arkansas. Mr. Chairman, will the gentleman yield?

Mr. BURTON. I yield to the distinguished chairman of the committee.

Mr. MILLS of Arkansas. Now, on this "hold harmless" provision, let me make it clear that if the States attempt deliberately to take advantage of this provision by taking action to reduce their expenditures in calendar year 1971, we will urge the other body to take that into account, and I assume the Senate would do that anyway. Then, in the conference on the bill, we can make whatever adjustments in the "hold harmless" provision seem to be called for based on actions the States will have taken by that time.

Mr. Chairman, I want the membership to know how deeply I appreciate the help, all the way through the study of this matter in our committee, of the gentleman, as well as the gentleman's interest and the many, many suggestions he has made, all of which I think were improvements in the bill. He showed concern at all times to do that which was in the best interests of the people on welfare as well as the taxpayers of the country. I think he deserves commendation for the great contribution he has made to the work of our committee.

Also I want to take notice of what I know is the unusual ability the gentleman and his high level of competence in the field he is discussing.

Mr. BURTON. Mr. Chairman, I will quit while I am ahead.

I hope we defeat the motion to strike title IV. I insert at this point in the RECORD letters which I have received from the Undersecretary of Health, Education, and Welfare, and the former Secretary of Health, Education, and Welfare, Wilbur J. Cohen:

THE UNDER SECRETARY OF HEALTH,
EDUCATION, AND WELFARE,
Washington, D.C., June 22, 1971.

Hon. PHILLIP BURTON,
House of Representatives,
Washington, D.C.

DEAR PHIL: In response to our recent discussion, I would like to clarify our position on the issues you raised:

1. The Administration agrees with the view that payments to recipients should reflect rises in the cost-of-living. We are in accord with the apparent intent of Congress to retain this adjustment control, rather than to write automatic adjustments into the legislation.

2. Concerning the registration requirement for employable mothers, the Administration has expressed its opposition to the reduction of the age level from under age six to under age three.

3. On the issue of third-party payments, I would emphasize that in no place in H.R. 1 are third-party payments mandatory. If he family head refuses to work, and there is no good reason for such refusal, no benefit is payable to him or her and the administrative agency will in all likelihood decide that another family member, relative, or other individual or agency is more likely to provide for the children. Each situation will be judged on its own merits. The objective will be to assure in every way possible that the children are provided for. Likewise, when there are money management problems, payment may be made to a concerned person outside the immediate family. It has been customary in the past to hold hearings where such actions have been contested, and there is no reason to believe that hearings would not be afforded under H.R. 1.

4. With respect to suitability of employment, it is made very clear in the Committee Report that lack of adequate child care is good cause for refusal of work or training. This is only fair, since a mother cannot be expected to work, or enjoy working, unless she is confident her children are receiving good care.

Also, there are protections in the bill against referral to "menial, low-paying jobs". The wage rate would be the *highest* of the applicable Federal, State, or local statutory minimum wage for that work, the *prevailing* wage for similar work in that locality, or $1.20 (three-quarters of the Federal minimum wage) as an absolute floor.

5. As to your concern that H.R. 1 would allow the Secretary to ban certain persons from FAP offices, this fear is completely unfounded. *No one* is barred from Family Assistance offices. Any person of good character can assist claimants in FAP offices. The same rules now used with respect to the representation of claimants for social security benefits will be applied to the family assistance programs. There has been no difficulty noted with the requirements under social security. The provision is designed to *protect* beneficiaries from unqualified legal representation in court which could be quite expensive or ineffective.

6. Similarly, there is no intent to bar recipients from advisory committees. H.R. 1 provides for the establishment of these local advisory committees to study and evaluate the effectiveness of the program. They are to be composed of representatives of labor, business, and the public. Recipients, of course, are in the latter category, and since evaluation of the program clearly requires information and advice from recipients, we can expect recipients to be on most if not all of such committees.

I hope this helps clarify our position. Thank you very much for your continued help and leadership on the issue of welfare reform.

With kind regards,
Sincerely yours,
JOHN G. VENEMAN,
Under Secretary.

THE UNDER SECRETARY OF HEALTH,
EDUCATION, AND WELFARE,
Washington, D.C., June 22, 1971.

Hon. PHILLIP BURTON,
House of Representatives,
Washington, D.C.

DEAR PHIL: I would like to clarify our position on durational residency requirements. As you know, we expressed the view before Ways and Means that the provision of H.R. 1 which would force the Federal government to honor a State-imposed residency requirement for its supplemental payments would be unconstitutional. We provided a General Counsel opinion that such a provision was unconstitutional in light of Shapiro V. Thomson (394 U.S. 618).

With kind regards,
Sincerely yours,
JOHN G. VENEMAN,
Under Secretary.

THE UNIVERSITY OF MICHIGAN,
SCHOOL OF EDUCATION,
Ann Arbor, Mich., June 18, 1971.

Hon. PHILLIP BURTON,
House of Representatives,
Washington, D.C.

DEAR PHIL: After all the hard work you and I have put in on the welfare reform legislation, I urgently and sincerely hope you will vote for H.R. 1 and title four. I am sure the Senate will consider the Ribicoff amendments and I will do everything I can to obtain constructive amendments in the Senate and to work with you and others to this end.

Sincerely.
WILBER J. COHEN,
Dean.

THE UNIVERSITY OF MICHIGAN
SCHOOL OF EDUCATION,
Ann Arbor, Mich., June 19, 1971.

Hon. PHILLIP BURTON,
House of Representatives,
Washington, D.C.

DEAR MR. BURTON: On behalf of former Secretaries of the Department of Health, Education, and Welfare, I am writing to urge your favorable vote on H.R. 1, the Social Security Act Amendments of 1971.

We are particularly concerned about those provisions of the bill designed to reform the Nation's welfare system. We believe that Title IV of H.R. 1 is an important step toward fulfilling our national commitment on behalf of the unfortunate of our communities, and that it does so in a way that will help the poor help themselves to achieve economic independence. This legislation will lead to a more equitable and efficient administration of the welfare system. It is essential, therefore, that Title IV remain a part of H.R. 1.

We are convinced, too, that delay in enactment can only result in disaster. The need is immediate. While we do not all agree with every provision, passage of H.R. 1 is essential at this time. Without reform, there is no end in sight to rising caseloads and costs, no fiscal relief for over-burdened State and local government, and no chance to escape from poverty for the many thousands of citizens who live in deprivation and degradation.

H.R. 1 is a realistic approach to the solution of one of our most urgent social problems. I am joined by Mrs. Oveta Culp Hobby, Mr. Marion B. Folsom, Dr. Arthur S. Flemming, Senator Abraham A. Ribicoff, Dr. John W. Gardner, and Mr. Robert H. Finch in soliciting your support for prompt passage of this vital legislation. We urge that you vote against the motion to strike Title IV, and for the passage of H.R. 1.

Sincerely,
WILBUR J. COHEN.

Mr. BYRNES of Wisconsin. Mr. Chairman, I have no further requests for time.

Mr. MILLS of Arkansas. I have no further requests for time, Mr. Chairman.

The CHAIRMAN. Under the rule, the bill and the committee amendment in the nature of a substitute now printed in the bill are considered as having been read for amendment.

COMMITTEE AMENDMENT IN THE NATURE OF A SUBSTITUTE

The committee amendment in the nature of a substitute is as follows:

Strike out all after the enacting clause of H.R. 1 and substitute in lieu thereof the following:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following table of contents, may be cited as the "Social Security Amendments of 1971"

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PART C—PUBLIC ASSISTANCE AMENDMENTS EFFECTIVE IMMEDIATELY

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PART D—LIBERALIZATION OF INCOME TAX TREATMENT OF CHILD CARE EXPENSES AND RETIREMENT INCOME

Sec. 531. Liberalization of child care deduction.

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PART E—MISCELLANEOUS CONFORMING AMENDMENTS

Sec. 541. Conforming amendment to section 228(d).

Sec. 542. Conforming amendments to title XI.

Sec. 543. Conforming amendments to title XVIII.

Sec. 544. Conforming amendments to title XIX.

TITLE I—PROVISIONS RELATING TO OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS, AND IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 OR OVER

SEC. 101. (a) Section 215(a) of the Social Security Act (as amended by section 105(c) of this Act) is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I		II	III		IV	V
(Primary insurance benefit under 1939 Act, as modified)		(Primary insurance amount effective for January 1971)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
----------	$16.20	$70.40	----------	$76	$74.00	$111.00
$16.21	16.84	71.50	$77	78	75.10	112.70
16.85	17.60	73.10	79	80	76.80	115.20
17.61	18.40	74.50	81	81	78.30	117.50
18.41	19.24	75.80	82	83	79.60	119.40
19.25	20.00	77.40	84	85	81.30	122.00
20.01	20.64	78.80	86	87	82.80	124.20
20.65	21.28	80.10	88	89	84.20	126.30
21.29	21.88	81.70	90	90	85.80	128.80
21.89	22.28	83.10	91	92	87.30	131.00
22.29	22.68	84.50	93	94	88.80	133.20
22.69	23.08	85.80	95	96	90.10	135.20
23.09	23.44	87.40	97	97	91.80	137.70
23.45	23.76	88.90	98	99	93.40	140.10
23.77	24.20	90.60	100	101	95.20	142.80
24.21	24.60	91.90	102	102	96.50	144.80
24.61	25.00	93.40	103	104	98.10	147.20
25.01	25.48	95.10	105	106	99.90	149.90
25.49	25.92	96.60	107	107	101.50	152.30
25.93	26.40	98.20	108	109	103.20	154.80
26.41	26.94	99.70	110	113	104.70	157.10
26.95	27.46	101.10	114	118	106.20	159.30
27.47	28.00	102.70	119	122	107.90	161.90
28.01	28.68	104.20	123	127	109.50	164.30
28.69	29.25	105.90	128	132	111.20	166.90
29.26	29.68	107.30	133	136	112.70	169.10
29.69	30.36	108.70	137	141	114.20	171.30
30.37	30.92	110.40	142	146	116.00	174.00
30.93	31.36	111.90	147	150	117.50	176.30
31.37	32.00	113.30	151	155	119.00	178.50
32.01	32.60	115.00	156	160	120.80	181.20
32.61	33.20	116.40	161	164	112.30	183.50
33.21	33.88	118.00	165	169	123.90	185.90
33.89	34.50	119.50	170	174	125.50	188.30
34.51	35.00	121.00	175	178	127.10	190.70
35.01	35.80	122.60	179	183	128.80	193.20
35.81	36.40	124.00	184	188	130.20	195.30
36.41	37.08	125.70	189	193	132.00	198.10
37.09	37.60	127.20	194	197	133.60	200.40
37.61	38.20	128.60	198	202	135.10	202.70
38.21	39.12	130.30	203	207	136.90	205.40
39.13	39.68	131.80	208	211	138.40	207.60
39.69	40.33	133.10	212	216	139.80	209.70
40.34	41.12	134.80	217	221	141.60	212.40
41.13	41.76	136.30	222	225	143.20	214.80
41.77	42.44	137.90	226	230	144.80	217.30
42.45	43.20	139.40	231	235	146.40	219.60
43.21	43.76	141.10	236	239	148.20	222.30
43.77	44.44	142.50	240	244	149.70	225.60
44.45	44.88	143.90	245	249	151.10	230.20
44.89	45.60	145.60	250	253	152.90	233.90
		147.10	254	258	154.50	238.50
		148.40	259	263	155.90	243.10
		150.10	264	267	157.70	246.80
		151.60	268	272	159.20	251.40
		153.20	273	277	160.90	256.00
		154.70	278	281	162.50	259.70
		156.20	282	286	164.10	264.30
		157.90	287	291	165.80	269.00
		159.20	292	295	167.20	272.60
		160.90	296	300	169.00	277.20
		162.40	301	305	170.60	281.90
		163.80	306	309	172.00	285.60
		165.50	310	314	173.80	290.30
		166.90	315	319	175.30	294.90
		168.30	320	323	176.80	298.60
		170.00	324	328	178.50	303.20
		171.50	329	333	180.10	307.80
		173.20	334	337	181.90	311.50
		174.50	338	342	183.30	316.10
		176.00	343	347	184.80	320.70
		177.70	348	351	186.60	324.40
		179.10	352	356	188.10	329.00
		180.80	357	361	189.90	333.60

"I		II	III		IV	V
(Primary insurance benefit under 1939 Act, as modified)		(Primary insurance amount effective for January 1971)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$182.20	$362	$365	$191.40	$337.30
		183.60	366	370	192.80	341.90
		185.30	371	375	194.60	346.50
		186.80	376	379	196.20	350.30
		188.50	380	384	198.00	354.90
		189.80	385	389	199.30	359.60
		191.30	390	393	200.90	363.20
		193.00	394	398	202.70	367.90
		194.40	399	403	204.20	372.50
		196.10	404	407	206.00	376.20
		197.40	408	412	207.30	380.80
		198.80	413	417	308.80	385.40
		200.20	418	421	210.30	389.10
		201.80	422	426	211.90	393.70
		203.10	427	431	213.30	398.30
		204.50	432	436	214.80	402.90
		206.10	437	440	216.50	404.80
		207.40	441	445	217.80	407.10
		208.80	446	450	219.30	409.40
		210.40	451	454	221.00	411.20
		211.70	455	459	222.30	413.50
		213.10	460	464	223.80	415.80
		214.50	465	468	225.30	417.70
		216.10	469	473	227.00	420.00
		217.40	474	478	228.30	422.40
		218.80	479	482	229.80	424.20
		220.40	483	487	231.50	426.60
		221.70	488	492	232.80	428.90
		223.10	493	496	234.30	430.70
		224.70	497	501	236.00	433.00
		226.00	502	506	237.30	435.33
		227.40	507	510	238.80	437.20
		228.80	511	515	240.30	439.50
		230.30	516	520	241.90	441.80
		231.70	521	524	243.30	443.60
		233.10	525	529	244.80	445.90
		234.70	530	534	246.50	448.20
		236.00	535	538	247.80	450.10
		237.40	539	543	249.30	452.40
		239.00	544	548	251.00	454.70
		240.30	549	553	252.40	457.00
		241.70	554	556	253.80	458.40
		242.90	557	560	255.10	460.30
		244.20	561	563	256.50	461.60
		245.50	564	567	257.80	463.50
		246.80	568	570	259.20	464.90
		248.00	571	574	260.40	466.70
		249.30	575	577	261.80	468.10
		250.50	578	581	263.10	469.90
		251.80	582	584	264.40	471.30
		253.00	585	588	265.70	473.20
		254.40	589	591	267.20	474.50
		255.60	592	595	268.40	476.40
		256.90	596	598	269.80	477.80
		258.10	599	602	271.10	479.70
		259.40	603	605	272.40	481.10
		260.60	606	609	273.70	482.80
		262.00	610	612	275.10	484.30
		263.20	613	616	276.40	486.10
		264.50	617	620	277.80	488.00
		265.70	621	623	279.00	489.30
		267.00	624	627	280.40	491.20
		268.20	628	630	281.70	492.90
		269.50	631	634	283.00	495.30
		270.80	635	637	284.40	497.60
		272.10	638	641	285.80	500.10
		273.30	642	644	287.00	502.30
		274.60	645	648	288.40	504.70
		275.80	649	652	289.60	506.90
		276.60	653	656	290.50	508.40
		277.40	657	660	291.30	509.80
		278.40	661	665	292.40	511.60
		279.40	666	670	293.40	513.50
		280.40	671	675	294.50	515.30

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I		II	III		IV	V
(Primary Insurance benefit under 1939 Act, as modified)		(Primary Insurance amount effective for January 1971)	(Average monthly wage)		(Primary Insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$281.40	$676	$680	$295.50	$517.20
		282.40	681	685	296.60	519.00
		283.40	686	690	297.60	520.80
		284.40	691	695	298.70	522.60
		285.40	696	700	299.70	524.50
		286.40	701	705	300.80	526.30
		287.40	706	710	301.80	528.20
		288.40	711	715	302.90	530.00
		289.40	716	720	303.90	531.90
		290.40	721	725	305.00	533.70
		291.40	726	730	306.00	535.50
		292.40	731	735	307.10	537.30
		293.40	736	740	308.10	539.20
		294.40	741	745	309.20	541.00
		295.40	746	750	310.20	542.90
		296.40	751	755	311.30	544.70
		297.40	756	760	312.30	546.60
		298.40	761	765	313.40	548.40

"I		II	III		IV	V
(Primary Insurance benefits under 1939 act, as modified)		(Primary insurance amount effective for January 1971)	Average monthly wage)		Primary Insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$299.40	$766	$770	$314.40	$550.20
		300.40	771	775	315.50	552.00
		301.40	776	780	316.50	553.90
		302.40	781	785	317.60	555.70
		303.40	786	790	318.60	557.60
		304.40	791	795	319.70	559.40
		305.40	796	800	320.70	561.30
		306.40	801	805	321.80	563.10
		307.40	806	810	322.80	564.90
		308.40	811	815	323.90	566.70
		309.40	816	820	324.90	568.60
		310.40	821	825	326.00	570.40
		311.40	826	830	327.00	572.30
		312.40	831	835	328.10	574.10
		313.40	836	840	329.10	576.00
		314.40	841	845	330.20	577.80
		315.40	846	850	331.20	579.60

(b) Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for May 1972 on the basis of the wages and self-employment income of such insured individual and the provisions of this subsection were applicable in January 1971 or any prior month in determining the total of the benefits for persons entitled for any such month on the basis of such wages and self-employment income, such total of benefits for June 1972 or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) an amount derived by multiplying the sum of the benefit amounts determined under this title for May 1972 (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), by 105 percent and raising such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for June 1972, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for June 1972, or".

(c) Section 215(a) of such Act is amended by striking out the matter which precedes the table and inserting in lieu thereof the following:

"(a) The primary insurance amount of an insured individual shall be determined as follows:

"(1) Subject to the conditions specified in subsections (b), (c), and (d) of this section and except as provided in paragraph (2) of this subsection, such primary insurance amount shall be whichever of the following amounts is the largest:

"(A) the amount in column IV of the following table on the line on which in column III of such table appears his average monthly wage (as determined under subsection (b));

"(B) the amount in column IV of such table on the line on which in column II appears his primary insurance amount (as determined under subsection (c)); or

"(C) the amount in column IV of such table on the line on which in column I appears his primary insurance benefit (as determined under subsection (d)).

"(2) In the case of an individual who was entitled to a disability insurance benefit for the month before the month in which he died, became entitled to old-age insurance benefits, or attained age 65, such primary insurance amount shall be the amount in column IV of such table which is equal to the primary insurance amount upon which such disability insurance benefit is based; except that if such individual was entitled to a disability insurance benefit under section 223 for the month before the effective month of a new table and in the following month became entitled to an old-age insurance benefit, or he died in such following month, then his primary insurance amount for such following month shall be the amount in column IV of the new table on the line on which in column II of such table appears his primary insurance amount for the month before the effective month of the table (as determined under section (c)) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based. For purposes of this paragraph, the term 'primary insurance amount' with respect to any individual means only a primary insurance amount determined under paragraph (1) (and such individual's benefits shall be deemed to be based upon the primary insurance amount as so determined)."

(d) Section 215(b)(4) of such Act is amended by striking out "December 1970" each time it appears and inserting in lieu thereof "May 1972".

(e) Section 215(c) of such Act is amended to read as follows:

"Primary Insurance Amount Under Act of March 17, 1971

"(c)(1) For the purposes of column II of the table appearing in subsetcion (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to June 1972.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before June 1972, or who died before such month."

(f) Section 215(f)(2) of such Act is amended by striking out "(a)(1) and (3)" and inserting in lieu thereof "(a)(1)(A) and (C)".

(g)(1)(A) Section 227(a) of such Act is amended by striking out "$48.30" and inserting in lieu thereof "$50.80", and by striking out "$24.20" and inserting in lieu thereof "$25.40".

(B) Section 227(b) of such Act is amended by striking out "$48.30" and inserting in lieu thereof "$50.80".

(2)(A) Section 228(b)(1) of such Act is amended by striking out "$48.30" and inserting in lieu thereof "$50.80".

(B) Section 228(b)(2) of such Act is amended by striking out "$48.30" and inserting in lieu thereof "$50.80", and by striking out "$24.20" and inserting in lieu thereof "$25.40".

(C) Section 228(c)(2) of such Act is amended by striking out "$24.20" and inserting in lieu thereof "$25.40".

(D) Section 228(c)(3)(A) of such Act is amended by striking out "$48.30" and inserting in lieu thereof "$50.80".

(E) Section 228(c)(3)(B) of such Act is amended by striking out "$24.20" and inserting in lieu thereof "$25.40".

(h) The amendments made by this section (other than the amendments made by subsection (g)) shall apply with respect to monthly benefits under title II of the Social Security Act for months after May 1972 and with respect to lump-sum death payments under such title in the case of deaths occurring after such month. The amendments made by subsection (g) shall apply with respect to monthly benefits under title II of such Act for months after May 1972.

AUTOMATIC ADJUSTMENTS IN BENEFITS, THE CONTRIBUTION AND BENEFIT BASE, AND THE EARNINGS TEST

Adjustments in Benefits

SEC. 102. (a)(1) Section 215 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Cost-of-Living Increases in Benefits

"(i)(1) For purposes of this subsection—

"(A) the term 'base quarter' means (i) the calendar quarter ending on June 30 in each year after 1971, or (ii) any other calendar quarter in which occurs the effective month of a general benefit increase under this title:

"(B) the term 'cost-of-living computation quarter' means a base quarter, as defined in subparagraph (A)(ii), in which the Consumer Price Index prepared by the Department of Labor exceeds, by not less than 3 per centum, such Index in the later of (i) the last prior cost-of-living computation quarter which was established under this subparagraph, or (ii) the most recent calendar quarter in which occurred the effective month of a general benefit increase under this title; except that there shall be no cost-of-living computation quarter in any calendar year in which a law has been enacted providing a general benefit increase under this title or in which such a benefit increase becomes effective; and

"(C) the Consumer Price Index for a base quarter, a cost-of-living computation quarter, or any other calendar quarter shall be the arithmetical mean of such index for the 3 months in such quarter.

"(2)(A)(i) The Secretary shall determine each year (subject to the limitation in paragraph (1)(B) and to subparagraph (E) of this paragraph) whether the base quarter (as defined in paragraph (1)(A)(i)) in such year is a cost-of-living computation quarter.

"(ii) If the Secretary determines that such base quarter is a cost-of-living computation quarter, he shall, effective with the month of January of the next calendar year (subject to subparagraph (E)) as provided in subparagraph (B), increase the benefit amount of each individual who for such month is entitled to benefits under section 227 or 228, and the primary insurance amount of each other individual under this title (including a primary insurance amount determined under section 202(a)(3), but not including a primary insurance amount determined under subsection (a)(3) of this section), by an amount derived by multiplying each such amount (including each such individual's primary insurance amount or benefit amount under section 227 or 228 as previously increased under this subparagraph) by the same percentage (rounded to the nearest one-tenth of 1 percent) as the percentage by which the Consumer Price Index for such cost-of-living computation quarter exceeds such index for the most recent prior calendar quarter which was a base quarter under paragraph (1)(A)(ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1)(B). Any such increased amount which is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

"(B) The increase provided by subparagraph (A) with respect to a particular cost-of-living computation quarter shall apply (subject to subparagraph (E)) in the case of monthly benefits under this title for months after December of the calendar year in which occurred such cost-of-living computation quarter, and in the case of lump-sum death payments with respect to deaths occurring after December of such calendar year.

"(C)(i) Whenever the level of the Consumer Price Index as published for any month exceeds by 2.5 percent or more the level of such index for the most recent base quarter (as defined in paragraph (1)(A)(ii) or, if later, the most recent cost-of-living computation quarter, the Secretary shall within 5 days after such publication) report the amount of such excess to the House Committee on Ways and Means and the Senate Committee on Finance.

"(ii) Whenever the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall notify the House Committee on Ways and Means and the Senate Committee on Finance of such determination on or before August 15 of such calendar year, indicating the amount of the benefit increase to be provided, his estimate of the extent to which the cost of such increase would be met by an increase in the contribution and benefit base under section 230 and the estimated amount of the increase in such base, the actuarial estimates of the effect of such increase, and the actuarial assumptions and methodology used in preparing such estimates.

"(D) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall publish in the Federal Register on or before November 1 of such calendar year a determination that a benefit increase is resultantly required and the percentage thereof. He shall also publish in the Federal Register at that time (along with the increased benefit amounts which shall be deemed to be the amounts appearing in sections 227 and 228) a revision of the table of benefits contained in subsection (a) of this section (as it may have been most recently revised by another law or pursuant to this paragraph); and such revised table shall be deemed to be the table appearing in such subsection (a). Such revision shall be determined as follows:

"(i) The headings of the table shall be the same as the headings in the table immediately prior to its revision, except that the parenthetical phrase at the beginning of column II shall reflect the year in which the primary insurance amounts set forth in column IV of the table immediately prior to its revision were effective.

"(ii) The amounts on each line of column I and column III, except as otherwise provided by clause (v) of this subparagraph, shall be the same as the amounts appearing in each such column in the table immediately prior to its revision.

"(iii) The amount on each line of column II shall be changed to the amount shown on the corresponding line of column IV of the table immediately prior to its revision.

"(iv) The amounts on each line of column IV and column V shall be increased from the amounts shown in the table immediately prior to its revision by increasing each such amount by the percentage specified in subparagraph (A) of paragraph (2). The amount on each line of column V shall be increased, if necessary, so that such amount is at least equal to one and one-half times the amount shown on the corresponding line in column IV. Any such increased amount which is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

"(v) If the contribution and benefit base (determined under section 230) for the calendar year in which the table of benefits is revised is lower than such base for the following calendar year, columns III, IV, and V of such table shall be extended. The amounts on each additional line of column III shall be the amounts on the preceding line increased by $5 until in the last such line of column III the second figure is equal to one-twelfth of the new contribution and benefit base for the calendar year following the calendar year in which such table of benefits is revised. The amount on each additional line of column IV shall be the amount on the preceding line increased by $1.00, until the amount on the last line of such column is equal to the last line of such column as determined under clause (iv) plus 20 percent of one-twelfth of the excess of the new contribution and benefit base for the calendar year following the calendar year in which such table of benefits is revised (as determined under section 230) over such base for the calendar year in which the table of benefits is revised. The amount on each additional line of column V shall be equal to 1.75 times the amount on the same line of column IV. Any such increased amount which is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

"(E) Notwithstanding a determination by the Secretary under subparagraph (A) that a base quarter in any calendar year is a cost-of-living computation quarter (and notwithstanding any notification or publication thereof under subparagraph (C) or (D)), no increase in benefits shall take effect pursuant thereto, and such quarter shall be deemed not to be a cost-of-living computation quarter, if during the calendar year in which such determination is made a law providing a general benefit increase under this title is enacted or becomes effective.

"(3) As used in this subsection, the term 'general benefit increase under this title' means an increase (other than an increase under this subsection) in all primary insurance amounts (including those determined under section 202(a)(3), but not including those determined under subsection (a)(3) of this section) on which monthly insurance benefits under this title are based."

(2)(A) Effective January 1, 1973, section 203(a) of such Act is amended by striking out "the table in section 215(a)" in the matter preceding paragraph (1) and inserting in lieu thereof "the table in (or deemed to be in) section 215(a)".

(B) Effective January 1, 1973, section 203(a)(2) of such Act (as amended by section 101(b) of this Act) is further amended to read as follows:

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1971 or any prior month on the basis of the wages and self-employment income of such insured individual and the provisions of this subsection as in effect for any such month were applicable in determining the benefit amount of any persons on the basis of such wages and self-employment income, the total of benefits for any month after January 1971 shall not be reduced to less than the largest of—

"(A) the amount determined under this subsection without regard to this paragraph,

"(B) the largest amount which has been determined for any month under this subsection for persons entitled to monthly benefits on the basis of such insured individual's wages and self-employment income, or

"(C) if any persons are entitled to benefits on the basis of such wages and self-employment income for the month before the effective month (after June 1972) of a general benefit increase under this title (as defined in section 215(i)(3)) or a benefit increase under the provisions of section 215(i), an amount equal to the sum of such benefits for the month before such effective month increased by a percentage equal to the percentage of the increase provided under such benefit increase (with any such increased amount which is not a multiple of $0.10 being rounded to the next higher multiple of $0.10);

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B) or (C), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for a month, and ceases to apply for a month after such month, the provisions of subparagraph (B) or (C) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been appli-

cable to such total of benefits for the last month for which subparagraph (B) or (C) was applicable, or".

(3)(A) Effective January 1, 1974, section 215(a) of such Act (as amended by section 101(c) of this Act) is further amended—

(i) by inserting "(or, if larger, the amount in column IV of the latest table deemed to be such table under subsection (i)(2)(D))" after "the following table" in paragraph (1)(A); and

(ii) by inserting "(whether enacted by another law or deemed to be such table under subsection (i)(2)(D))" after "effective month of a new table" in paragraph (2). (B) Effective January 1, 1974, section 215(b)(4) of such Act (as amended by section 101(d) of this Act) is further amended to read as follows:

"(4) The provisions of this subsection shall be applicable only in the case of an individual—

"(A) who becomes entitled to benefits under section 202(a) or section 223 in or after the month in which a new table that appears in (or is deemed by subsection (i)(2)(D) to appear in) subsection (a) becomes effective; or

"(B) who dies in or after the month in which such table becomes effective without being entitled to benefits under section 202(a) or section 223; or

"(C) whose primary insurance amount is required to be recomputed under subsection (f)(2) or (6)."

(C) Effective January 1, 1974, section 215(c) of such Act (as amended by section 101(e) of this Act) is further amended to read as follows:

"Primary Insurance Amount Under Prior Provisions

"(c)(1) For the purposes of column II of the latest table that appears in (or is deemed to appear in) subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the month in which the latest such table became effective.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223, or who died, before such effective month."

(4) Effective January 1, 1974, sections 227 and 228 of such Act (as amended by section 101(g) of this Act) are further amended by striking out "$50.80" wherever it appears and inserting in lieu thereof "the larger of $50.80 or the amount most recently established in lieu thereof under section 215(i)", and by striking out "$25.40" wherever it appears and inserting in lieu thereof "the larger of $25.40 or the amount most recently established in lieu thereof under section 215(i)".

Adjustments in Contribution and Benefit Base

(b)(1) Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"ADJUSTMENT OF THE CONTRIBUTION AND BENEFIT BASE

"SEC. 230. (a) Whenever the Secretary pursuant to section 215(i) increases benefits effective with the first month of the calendar year following a cost-of-living computation quarter, he shall also determine and publish in the Federal Register on or before November 1 of the calendar year in which such quarter occurs (along with the publication of such benefit increase as required by section 215(i)(2)(D)) the contribution and benefit base determined under subsection (b) which shall be effective (unless such increase in benefits is prevented from becoming effective by section 215(i)(2)(E)) with respect to remuneration paid after the calendar year in which such quarter occurs and taxable years beginning after such year.

"(b) The amount of such contribution and benefit base shall be the amount of the contribution and benefit base in effect in the year in which the determination is made or, if larger, the product of—

"(1) the contribution and benefit base which was in effect with respect to remuneration paid in (and taxable years beginning in) the calendar year in which the determination under subsection (a) with respect to such particular calendar year was made, and

"(2) the ratio of (A) the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of the calendar year in which the determination under subsection (a) with respect to such particular calendar year was made to (B) the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of 1972 or, if later, the first calendar quarter of the most recent calendar year in which an increase in the contribution and benefit base in which an increase in the contribution and benefit base was enacted or a determination resulted in such an increase was made under subsection (a),

with such product, if not a multiple of $300, being rounded to the next higher multiple of $300 where such product is a multiple of $150 but not of $300 and to the nearest multiple of $300 in any other case.

"(c) For purposes of this section, and for purposes of determining wages and self-employment income under sections 209, 211, 213, and 215 of this Act and sections 1402, 3121, 3122, 3125, 6413, and 6654 of the Internal Revenue Code of 1954, the 'contribution and benefit base' with respect to remuneration paid in (and taxable years beginning in) any calendar year after 1971 and prior to the calendar year with the first month of which the first increase in benefits pursuant to section 215(i) of this Act becomes effective shall be $10,200 or (if applicable) such other amount as may be specified in a law enacted subsequent to the Social Security Amendments of 1971."

Adjustments in Earnings Test

(c) Section 203(f) of such Act is amended by adding at the end thereof the following new paragraph:

"(8)(A) Whenever the Secretary pursuant to section 215(i) increases benefits effective with the first month of the calendar year following a cost-of-living computation quarter, he shall also determine and publish in the Federal Register on or before November 1 of the calendar year in which such quarter occurs (along with the publication of such benefit increase as required by section 215(i)(2)(D)) a new exempt amount which shall be effective (unless such new exempt amount is prevented from becoming effective by subparagraph (C) of this paragraph) with respect to any individual's taxable year which ends with the close of or after the calendar year with the first month of which such benefit increase is effective (or, in the case of an individual who dies during such calendar year, with respect to such individual's taxable year which ends, upon his death, during such year).

"(B) The exempt amount for each month of a particular taxable year shall be whichever of the following is the larger—

"(i) the exempt amount which was in effect with respect to months in the taxable year in which the determination under subparagraph (A) was made, or

"(ii) the product of the exempt amount described in clause (i) and the ratio of (I) the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of the calendar year in which the determination under subparagraph (A) was made to (II) the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of 1972 or, if later, the first calendar quarter of the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under section 230(a), with such product, if not a multiple of $10, being rounded to the next higher multiple of $10 where such product is a multiple of $5 but not of $10 and to the nearest multiple of $10 in any other case. Whenever the Secretary determines that the exempt amount is to be increased in any year under this paragraph, he shall notify the House Committee on Ways and Means and the Senate Committee on Finance no later than August 15 of such year of the estimated amount of such increase, indicating the new exempt amount, the actuarial estimates of the effect of the increase, and the actuarial assumptions and methodology used in preparing such estimates.

"(C) Notwithstanding the determination of a new exempt amount by the Secretary under subparagraph (A) (and notwithstanding any publication thereof under such subparagraph or any notification thereof under the last sentence of subparagraph (B)), such new exempt amount shall not take effect pursuant thereto if during the calendar year in which such determination is made a law increasing the exempt amount or providing a general benefit increase under this title (as defined in section 215(i)(3)) is enacted."

SPECIAL MINIMUM PRIMARY INSURANCE AMOUNT

SEC. 103. (a) Section 215(a) of the Social Security Act (as amended by section 101(c) of this Act) is further amended—

(1) by striking out "paragraph (2)" in the matter preceding subparagraph (A) of paragraph (1) and inserting in lieu thereof "paragraphs (2) and (3)"; and

(2) by inserting after paragraph (2) the following:

"(3) Such primary insurance amount shall be an amount equal to $5 multiplied by the individual's years of coverage in any case in which such amount is higher than the individual's primary insurance amount as determined under paragraph (1) or (2).

For purposes of paragraph (3), an individual's 'years of coverage' is the number (not exceeding 30) equal to the sum of (i) the number (not exceeding 14 and disregarding any fraction) determined by dividing the total of the wages credited to him for years after 1936 and before 1951 by $900, plus (ii) the number equal to the number of years after 1950 each of which is a computation base year (within the meaning of subsection (b)(2)(C)) and in each of which he is credited with wages and self-employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (e), may be counted for such year."

(b) Section 203(a) of such Act (as amended by sections 101(b) and 102(a)(2) of this Act) is further amended by striking out "or" at the end of paragraph (2), by striking out the period at the end of paragraph (3), and by inserting after paragraph (3) the following new paragraph:

"(4) whenever the monthly benefits of such individuals are based on an insured individual's primary insurance amount which is determined under section 215(a)(3) and such primary insurance amount does not appear in column IV of the table in (or deemed to be in) section 215(a), the applicable maximum amount in column V of such table shall be the amount in such column that appears on the line on which the next higher primary insurance amount appears in column IV, or, if larger, the largest amount determined for such persons under this subsection for any month prior to February 1971."

(c) Section 215(a)(2) of such Act (as amended by section 101(c) of this Act) is

further amended by striking out "such primary insurance amount shall be" and all that follows and inserting in lieu thereof the following:

"such primary insurance amount shall be—

"(A) the amount in column IV of such table which is equal to the primary insurance amount upon which such disability insurance benefit is based; except that if such individual was entitled to a disability insurance benefit under section 223 for the month before the effective month of a new table (whether enacted by another law or deemed to be such table under subsection (i)(2)(D)) and in the following month became entitled to an old-age insurance benefit, or he died in such following month, then his primary insurance amount for such following month shall be the amount in column IV of the new table on the line on which in column II of such table appears his primary insurance amount for the month before the effective month of the table (as determined under subsection (c)) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based. For purposes of this paragraph, the term 'primary insurance amount' with respect to any individual means only a primary insurance amount determined under paragraph (1) (and such individual's benefits shall be deemed to be based upon the primary insurance amount as so determined); or

"(B) an amount equal to the primary insurance amount upon which such disability insurance benefit is based if such primary insurance amount was determined under paragraph (3)."

(d) Section 215(f)(2) of such Act (as amended by section 101(f) of this Act) is further amended by striking out "subsection (a)(1) (A) and (C)" and inserting in lieu thereof "subsections (a)(1) (A) and (C) and (a)(3)".

(e) Whenever an insured individual is entitled to benefits for a month which are based on a primary insurance amount under paragraph (1) or paragraph (3) of section 215(a) of the Social Security Act and for the following month such primary insurance amount is increased or such individual becomes entitled to benefits on a higher primary insurance amount under a different paragraph of such section 215(a), such individual's old-age or disability insurance benefit, beginning with the effective month of the increased primary insurance amount, shall be increased by an amount equal to the difference between the higher primary insurance amount and the primary insurance amount on which such benefit was based for the month prior to such effective month, after the application of section 202(q) of such Act where applicable, to such difference.

(f) The amendments made by this section shall apply with respect to monthly insurance benefits under title II of the Social Security Act for months after December 1971 (without regard to when the insured individual became entitled to such benefits or when he died) and with respect to lump-sum death payments under such title in the case of deaths occurring after such month.

INCREASED WIDOW'S AND WIDOWER'S INSURANCE BENEFITS

SEC. 104. (a)(1) Section 202(e)(1) of the Social Security Act is amended—

(A) by striking out "82½ percent of" wherever it appears;

(B) by striking out "entitled, after attainment of age 62, to wife's insurance benefits," in subparagraph (C)(i) and inserting in lieu thereof "entitled to wife's insurance benefits,", and by striking out "or" in such subparagraph and inserting in lieu thereof "and (I) has attained age 65 or (II) is not entitled to benefit under subsection (a) (other than under paragraph (3) thereof) or section 223, or"; and

(C) by striking out "age 62" in subparagraph (C)(ii), and in the matter following subparagraph (G), and inserting in lieu thereof in each instance "age 65".

(2) Paragraph (2) of section 202(e) of such Act is amended to read as follows:

"(2)(A) Except as provided in subsection (q), paragraph (4) of this subsection, and subparagraph (B) of this paragraph, such widow's insurance benefit for each month shall be equal to the primary insurance amount of such deceased individual.

"(B) If the deceased individual (on the basis of whose wages and self-employment income a widow or surviving divorced wife is entitled to widow's insurance benefits under this subsection) was, at any time, entitled to an old-age insurance benefit which was reduced by reason of the application of subsection (q), the widow's insurance benefit of such widow or surviving divorced wife for any month shall, if the amount of the widow's insurance benefit of such widow or surviving divorced wife (as determined under subparagraph (A) and after application of subsection (q)) is greater than—

"(i) the amount of the old-age insurance benefit to which such deceased individual would have been entitled (after application of subsection (q)) for such month if such individual were still living; and

"(ii) 82½ percent of the primary insurance amount of such deceased individual;

be reduced to the amount referred to in clause (i), or (if greater) the amount referred to in clause (ii)."

(b)(1) Section 202(f)(1) of such Act is amended—

(A) by striking out "82½ percent of" wherever it appears;

(B) by striking out "died," in subparagraph (C) and inserting in lieu thereof "died, and (I) has attained age 65 or (II) is not entitled to benetfis under subsection (a) or section 223,"; and

(C) by striking out "age 62" in the matter following subparagraph (G) and inserting in lieu thereof "age 65".

(2) Paragraph (3) of section 202(f) of such Act is amended to read as follows:

"(3)(A) Except as provided in subsection (q), paragraph (5) of this subsection, and subparagraph (B) of this paragraph, such widower's insurance benefit for each month shall be equal to the primary insurance amount of his deceased wife.

"(B) If the deceased wife (on the basis of whose wages and self-employment income a widower is entitled to widower's insurance benefits under this subsection) was, at any time, entitled to an old-age insurance benefit which was reduced by reason of the application of subsection (q), the widower's insurance benefit of such widower for any month shall, if the amount of the widower's insurance benefit of such widower (as determined under subparagraph (A) and after application of subsection (q)) is greather than—

"(i) the amount of the old-age insurance benefit to which such deceased wife would have been entitled (after application of subsection (q)) for such month if such wife were still living; and

"(ii) 82½ percent of the primary insurance amount of such deceased wife;

be reduced to the amount referred to in clause (i), or (if greater) the amount referred to in clause (ii)."

(c)(1) The last sentence of section 203(c) of such Act is amended by striking out all that follows the semicolon and inserting in lieu thereof the following: "nor shall any deduction be made under this subsection from any widow's insurance benefits for any month in which the widow or surviving divorced wife is entitled and has not attained age 65 (but only if she became so entitled prior to attaining age 60), or from any widower's insurance benefit for any month in which the widower is entitled and has not attained age 65 (but only if he became so entitled prior to attain age 62)."

(2) Clause (D) of section 203(f)(1) of such Act is amended to read as follows: "(D) for which such individual is entitled to widow's insurance benefits and has not attained age 65 (but only if she became so entitled prior to attaining age 60), or widower's insurance benefits and has not attained age 65 (but only if he became so entitled prior to attaining age 62), or".

(d) Section 202(k)(3)(A) of such Act is amended by striking out "subsection (q) and" inserting in lieu thereof "subsection (q), subsection (e)(2) or (f)(3), and".

(e)(1) Section 202(q)(1) of such Act is amended to read as follows:

"(1) If the first month for which an individual is entitled to an old-age, wife's, huband's, widow's, or widower's insurance benefit is a month before the month in which such individual attains retirement age, the amount of such benefit for such month and for any subsequent month shall, subject to the succeeding paragraphs of this subsection, be reduced by—

"(A) 5/9 of 1 percent of such amount if such benefit is an old-age insurance benefit, 25/36 of 1 percent of such amount if such benefit is a wife's or husband's insurance benefit, or 19/40 of 1 percent of such amount if such benefit is a widow's or widower's insurance benefit, multiplied by—

"(B)(i) the number of months in the reduction period for such benefit (determined under paragraph (6)(A)), if such benefit is for a month before the month in which such individual attains retirement age, or

"(ii) if less, the number of such months in the adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is (I) for the month in which such individual attains age 62, or (II) for the month in which such individual attains retirement age;

and in the case of a widow or widower whose first month of entitlement to a widow's or widower's insurance benefit is a month before the month in which such widow or widower attains age 60, such benefit, reduced pursuant to the preceding provisions of this paragraph (and before the application of the second sentence of paragraph (8)), shall be further reduced by—

"(C) 43/240 of 1 percent of the amount of such benefit, multiplied by—

"(D)(i) the number of months in the additional reduction period for such benefit (determined under paragraph (6)(B)), if such benefit is for a month before the month in which such individual attains age 62, or

"(ii) if less, the number of months in the additional adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains age 62 or any month thereafter."

(2) Section 202(q)(7) of such Act is amended—

(A) by striking out everything that precedes subparagraph (A) and inserting in lieu thereof the following:

"(7) For purposes of this subsection the 'adjusted reduction period' for an individual's old-age, wife's, husband's, widow's, or widower's insurance benefit is the reduction period prescribed in paragraph (6)(A) for such benefit, and the 'additional adjusted reduction period' for an individual's, widow's, or widower's insurance benefit is the additional reduction period prescribed by paragraph (6)(B) for such benefit, excluding from each such period—"; and

(B) by striking out "attained retirement age" in subparagraph (E) and inserting in lieu thereof "attained age 62, and also for any later month before the month in which he attained retirement age,".

(3) Section 202(q)(9) of such Act is amended to read as follows:

"(9) For purposes of this subsection, the term 'retirement age' means age 65."

(f) Section 202(m) of such Act is amended to read as follows:

"MINIMUM SURVIVOR'S BENEFIT

"(m)(1) In any case in which an individual is entitled to a monthly benefit under this section on the basis of the wage and self-employment income of a deceased individual for any month and no other person is (without the application of subsection (j)(1) entitled to a monthly benefit under this section for such month on the basis of such wages and self-employment income, such individual's benefit amount for such month, prior to reduction under subsection (k)(3), shall be not less than the first amount appearing in column IV of the table in (or deemed to be in) section 215(a), except as provided in paragraph (2).

"(2) In the case of any such individual who is entitled to a monthly benefit under subsection (e) or (f), such individual's benefit amount, after reduction under subsection (g)(1), shall be not less than—

"(A) $70.40, if his first month of entitlement to such benefit is the month in which such individual attains age 62 or a subsequent month, or

"(B) $70.40 reduced under subsection (q)(1) as if retirement age as specified in subsection (q)(6)(A)(ii) were age 62 instead of the age specified in subsection (q)(9), if his first month of entitlement to such benefit is before the month in which he attained age 62.

"(3) In the case of any individual whose benefit amount was computed (or recomputed) under the provisions of paragraph (2) and such individual was entitled to benefits under subsection (e) or (f) for a month prior to any month after 1971 for which a general benefit increase under this title (as defined in section 215(i)(3)) or a benefit increase under section 215(i) becomes effective, the benefit amount of such individual as computed under paragraph (2) without regard to the reduction specified in subparagraph (B) thereof shall be increased by the percentage increase applicable for such benefit increase, prior to the application of subsection (q)(1) pursuant to paragraph (2)(B) and subsection (q)(4)."

(g) In the case of an individual who is entitled to widows or widower's insurance benefits for the month of December 1971 (and whose benefit is not determined under section 202(m) of the Social Security Act), the Secretary shall redetermine the amount of such benefits for months after December 1971 under title II of the Social Security Act as if the amendments made by this section had been in effect for the first month of such individual's entitlement to such benefits.

(h) Where—

(1) two or more persons are entitled to monthly benefits under section 202 of the Social Security Act for December 1971 on the basis of the wages and self-employment income of a deceased individual, and one or more of such persons is so entitled under subsection (e) or (f) of such section 202, and

(2) one or more of such persons is entitled on the basis of such wages and self-employment income to monthly benefits under subsection (e) or (f) of such section 202 (as amended by this section) for January 1972, and

(3) the total of benefits to which all persons are entitled under section 202 of such Act on the basis of such wages and self-employment income for January 1972 is reduced by reason of section 203(a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced),

then th amount of the benefit to which each such person referred to in paragraph (1) is entitled for months after December 1971 shall in no case be less after the application of this section and such section 203(a) than the amount it would have been without the application of this section.

(i) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1971.

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

SEC. 105. (a)(1)(A) Section 209(a)(6) of the Social Security Act is amended—

(i) by striking out "$9,000" and inserting in lieu thereof "$10,200", and

(ii) by inserting "and prior to 1973" after "1971".

(B) Section 209(a) of such Act is further amended by adding at the end thereof the following new paragraph:

"(7) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to the contribution and benefit base (determined under section 230) with respect to employment has been paid to an individual during any calendar year after 1972 with respect to which such contribution and benefit base is effective, is paid to such individual during such calendar year;".

(2)(A) Section 211(b)(1)(F) of such Act is amended—

(i) by inserting "and prior to 1973" after "1971",

(ii) by striking out "$9,000" and inserting in lieu thereof "$10,200", and

(iii) by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 211(b)(1) of such Act is further amended by adding at the end thereof the following new subparagraph:

"(G) For any taxable year beginning in any calendar year after 1972, (i) an amount equal to the contribution and benefit base (as determined under section 230) which is effective for such calendar year, minus (ii) the amount of the wages paid to such individual during such taxable year; or".

(3)(A) Section 213(a)(2)(ii) of such Act is amended by striking out "$9,000 in the case of a calendar year after 1971" and inserting in lieu thereof "$10,200 in the case of a calendar year after 1971 and before 1973, or an amount equal to the contribution and benefit base (as determined under section 230) in the case of any calendar year after 1972 with respect to which such contribution and benefit base is effective".

(B) Section 213(a)(2)(iii) of such Act is amended by striking out "$9,000 in the case of a taxable year beginning after 1971" and inserting in lieu thereof "$10,200 in the case of a taxable year beginning after 1971 and before 1973, or an amount equal to the contribution and benefit base (as determined under section 230) which is effective for the calendar year in the case of any taxable year beginning in any calendar year after 1972".

(4) Section 215(e)(1) of such Act is amended by striking out "and the excess over $9,000 in the case of any calendar year after 1971" and inserting in lieu thereof "the excess over $10,200 in the case of any calendar year after 1971 and before 1973, and the excess over an amount equal to the contribution and benefit base (as determined under section 230) in the case of any calendar year after 1972 with respect to which such contribution and benefit base is effective".

(b)(1)(A) Section 1402(b)(1)(F) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended—

(i) by inserting "and before 1973" after "1971",

(ii) by striking out "$9,000" and inserting in lieu thereof "$10,200", and

(iii) by striking out "; or" and inserting in lieu tehreof "; and".

(B) Section 1402(b)1 of such Code is further amended by adding at the end thereof the following new subparagraph:

"(G) for any taxable year beginning in any calendar year after 1972, (i) an amount equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) which is effective for such calendar year, minus (ii) the amount of the wages paid to such individual during such taxable year; or".

(2)(A) Section 3121(a)(1) of such Code (relating to definition of wages) is amended by striking out "$9,000" each place it appears and inserting in lieu thereof "$10,200"

(B) Effective with respect to remuneration paid after 1972, section 3121(a)(1) of such Code is amended—

(i) by striking out "$10,200" each place it appears and inserting in lieu thereof "the contribution and benefit base (as determined under section 230 of the Social Security Act)" and

(ii) by striking out "by an employer during any calendar year", and inserting in lieu thereof "by an employer during the calendar year with respect to which such contribution and benefit base is effective".

(3)(A) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "$9,000" and inserting in lieu thereof "$10,200".

(B) Effective with respect to remuneration paid after 1972, the second sentence of section 3122 of such Code is amended by striking out "the $10,200 limitation" and inserting in lieu thereof "the contribution and benefit base limitation".

(4)(A) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out "$9,000" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "$10,200".

(B) Effective with respect to remuneration paid after 1972, section 3125 of such Code is amended by striking out "the $10,200 limitation" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "the contribution and benefit base limitation".

(5) Section 6413(c)(1) of such Code (relating to special refunds of employment taxes) is amended—

(A) by inserting "and prior to the calendar year 1973" after "after the calendar year 1971";

(B) by striking out "exceed $9,000," and inserting in lieu thereof the following: "exceed $10,200, or (F) during any calendar year after the calendar year 1972, the wages received by him during such year exceed the contribution and benefit base (as determined under section 230 of the Social Security Act) which is effective with respect to such year,"; and

(C) by striking out "the first $9,000 of such wages received in such calendar year after 1971" and inserting in lieu thereof "the first $10,200 of such wages received in such calendar year after 1971 and before 1973, or which exceeds the tax with respect to an amount of such wages received in such calendar year after 1972 equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) which is effective with respect to such year".

(6) Section 6413(c)(2)(A) of such Code (relating to refunds of employment taxes in the case of Federal employees) is amended by striking out "or $9,000 for any calendar year after 1971" and inserting in lieu thereof "$10,200 for the calendar year 1972, or an amount equal to the contribution and benefit base (as determined under section 230, of the Social Security Act) for any calendar year after 1972 with respect to which such contribution and benefit base is effective".

(7)(A) Section 6654(d)(2)(B)(ii) of such Code (relating to failure by individual to pay estimated income tax) is amended by striking out "$9,000" and inserting in lieu thereof "$10,200".

(B) Effective with respect to taxable years beginning after 1972, section 6654(d)(2)(B)(ii) of such Code is amended by striking out "the excess of $10,200 over the amount" and

inserting in lieu thereof "the excess of (I) an amount equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) which is effective for the calendar year in which the taxable year begins, over (II) the amount".

(c) The table in section 215(a) of such Act is amended by adding at the end of columns III, IV, and V the following:

"751	755	296.40	518.70
756	760	297.40	520.50
761	765	298.40	522.20
766	770	299.40	524.00
771	775	300.40	525.70
776	780	301.40	527.50
781	785	302.40	529.20
786	790	303.40	531.00
791	795	304.40	532.70
796	800	305.40	534.50
801	805	306.40	536.20
806	810	307.40	538.00
811	815	308.40	539.70
816	820	309.40	541.50
821	825	310.40	543.20
826	830	311.40	545.00
831	835	312.40	546.70
836	840	313.40	548.50
841	845	314.40	550.20
846	850	315.40	552.00"

(d) The amendments made by subsections (a)(1) and (a)(3)(A), and the amendments may by subsection (b) (except paragraphs (1) and (7) thereof), shall apply only with respect to remuneration paid after December 1971. The amendments made by subsections (a)(2), (a)(3)(B), (b)(1), and (b)(7) shall apply only with respect to taxable years beginning after 1971. The amendment made by subsection (a)(4) shall apply only with respect to calendar years after 1971. The amendment made by subsection (c) shall apply only with respect to months after December 1971.

DELAYED RETIREMENT CREDIT

SEC. 106. (a) Section 202 of the Social Security Act is amended by adding after subsection (v) thereof the following:

"Increase in Old-Age Insurance Benefit Amounts on Account of Delayed Retirement

"(w)(1) If the first month for which an old-age insurance benefit becomes payable to an individual is not earlier than the month in which such individual attains age 65 (or his benefit payable at such age is not reduced under subsection (q)), the amount of the old-age insurance benefit (other than a benefit based on a primary insurance amount determined under section 215(a)(3)) which is payable without regard to this subsection to such individual shall be increased by—

"(A) 1/12 of 1 percent of such amount, multiplied by

"(B) the number (if any) of the increment months for such individual.

"(2) For purposes of this subsection, the number of increment months for any individual shall be a number equal to the total number of the months—

"(A) which have elapsed after the month before the month in which such individual attained age 65 or (if later) December 1970 and prior to the month in which such individual attained age 72, and

"(B) with respect to which—

"(i) such individual was a fully insured individual (as defined in section 214(a)), and

"(ii) such individual either was not entitled to an old-age insurance benefit or suffered deductions under section 203(b) or 203(c) in amounts equal to the amount of such benefit.

"(3) For purposes of applying the provisions of paragraph (1), a determination shall be made under paragraph (2) for each year, beginning with 1971, of the total number of an individuals increment months through the year for which the determination is made and the total so determined shall be applicable to such individual's old-age insurance benefits beginning with benefits for January of the year following the year for which such determination is made; except that the total number applicable in the case of an individual who attains age 72 after 1971 shall be determined through the month before the month in which he attains such age and shall be applicable to his old-age insurance benefits beginning with the month in which he attains such age.

"(4) This subsection shall be applied after reduction under section 203(a), and, in the case of a husband and wife whose benefits are determined under section 202(a)(3), shall be applied separately to the benefit of each as so determined."

(b) Paragraph (2) of section 202(a) of such Act (as amended by section 110(a) of this Act) is further amended by inserting "and subsection (w)" after "subsection (q)".

(c) The amendments made by this section shall be applicable with respect to old-age insurance benefits payable under title II of the Social Security Act for months beginning after 1971.

AGE-62 COMPUTATION POINT FOR MEN

SEC. 107. (a) Section 214(a)(1) of the Social Security Act is amended by striking out "before—" and all that follows down through "except" and inserting in lieu thereof the following:

"before the year in which he died or (if earlier) the year in which he attained age 62, except".

(b) Section 215(b)(3) of such Act is amended by striking out "before—" and all that follows down through "For" and inserting in lieu thereof the following:

"before the year in which he died or, if it occurred earlier but after 1960, the year in which he attained age 62. For".

(c) Section 223(a)(2) of such Act is amended—

(1) by striking out "(if a woman) or age 65 (if a man)",

(2) by striking out "in the case of a woman" and inserting in lieu thereof "in the case of an individual", and

(3) by striking out "she" and inserting in lieu thereof "he".

(d) Section 223(c)(1)(A) of such Act is amended by striking out "(if a woman) or age 65 (if a man)".

(e) Section 227(a) of such Act is amended by striking out "so much of paragraph (1) of section 214(a) as follows clause (C)" and inserting in lieu thereof "paragraph (1) of section 214(a)".

(f) Section 227(b) of such Act is amended by striking out "so much of paragraph (1) thereof as follows clause (C)" and inserting in lieu thereof "paragraph (1) thereof".

(g) Sections 209(i) and 216(i)(3)(A), of such Act are amended by striking out "(if a woman) or age 65 (if a man)".

(h) Section 303(g)(1) of the Social Security Amendments of 1960 is amended—

(1) by striking out "Amendments of 1965 and 1967" and inserting in lieu thereof "Amendments of 1965, 1967, 1969, and 1971 (and by Public Law 92-5)"; and

(2) by striking out "Amendments of 1967" wherever it appears and inserting in lieu thereof "Amendments of 1971".

(i) Paragraph (9) of section 3121(a) of the Internal Revenue Code of 1954 (relating to definition of wages) is amended to read as follows:

"(9) any payment (other than vacation or sick pay) made to an employee after the month in which he attains age 62, if such employee did not work for the employer in the period for which such payment is made;".

(j)(1) The amendments made by this section (except the amendment made by subsection (i), and the amendment made by subsection (g) to section 209(i) of the Social Security Act) shall apply only in the case of a man who attains (or would attain) age 62 after December 1973. The amendment made by subsection (i), and the amendment made by subsection (g) to section 209(i) of the Social Security Act, shall apply only with respect to payments after 1973.

(2) In the case of a man who attains age 62 prior to 1974, the number of his elapsed years for purposes of section 215(b)(3) of the Social Security Act shall be equal to (A) the number determined under such section as in effect on January 1, 1971, or (B) if less, the number determined as though he attained age 65 in 1974, except that monthly benefit under title II of the Social Security Act for months prior to 1972 payable on the basis of his wages and self-employment income shall be determined as though this section had not been enacted.

(3)(A) In the case of a man who attains or will attain age 62 in 1972, the figure "65" in sections 214(a)(1), 223(c)(1)(A), 209(i), and 216(i)(3)(A) of the Social Security Act and section 3121(a)(9) of the Internal Revenue Code of 1954 shall be deemed to read "64".

(B) In the case of a man who attains or will attain age 62 in 1973, the figure "65" in sections 214(a)(1), 223(c)(1)(A), 209(i), and 216(i)(3)(A) of the Social Security Act and section 3121(a)(9) of the Internal Revenue Code of 1954 shall be deemed to read "63".

ADDITIONAL DROP-OUT YEARS

SEC. 108. (a) Section 215(b)(2)(A) of the Social Security Act is amended by inserting ", and further reduced by one additional year for each 15 years of coverage of such individual (as determined under the last sentence of subsection (a) without regard to the 30-year limitation contained therein)" immediately after "reduced by five".

(b) The amendment made by subsection (a) shall be effective for purposes of computing or recomputing, effective for months after December 1971, the average monthly wage of an insured individual who was born after January 1, 1910, and

(1) who becomes entitled to benefits under section 202(a) or section 223 of such Act after December 1971;

(2) who dies after December 1971; or

(3) who was entitled to benefits under section 223 of such Act for December 1971.

ELECTION TO RECEIVE ACTUARIALLY REDUCED BENEFITS IN ONE CATEGORY NOT TO BE APPLICABLE TO CERTAIN BENEFITS IN OTHER CATEGORIES

SEC. 109. (a)(1) Sections 202(b)(1)(E) and 202(c)(1)(D) of the Social Security Act are each amended by striking out "old-age or disability insurance benefits based on a primary insurance amount" and inserting in lieu thereof "an old-age or disability insurance benefit".

(2) Section 202(b)(1)(K) of such Act and the matter in section 202(c)(1) of such Act following subparagraph (D) thereof are each amended by striking out "based on a primary insurance amount".

(b)(1) Section 202(q)(3)(A) of such Act is amended by striking out all that follows clause (ii) and inserting in lieu thereof the following: "then (subject to the succeeding paragraphs of this subsection) such wife's, husband's, widow's, or widower's insurance benefit for each month shall be reduced as provided in subparagraph (B), (C), or (D) of this paragraph, in lieu of any reduction under paragraph (1), if the amount of the reduction in such benefit under this paragraph is less than the amount of the reduction in such benefit would be under paragraph (1)."

(2) Section 202(q)(3) of such Act is further amended by striking out subparagraphs (E), (F), and (G).

(c) Section 202(r) of such Act is repealed.

(d)(1) Subject to paragraph (2), subsection (a) of this section and the amendments made thereby shall apply with respect to benefits for months commencing with the sixth month after the month in which this

Act is enacted pursuant to applications filed in or after the month in which this Act is enacted.

(2) In the case of an individual who became entitled to benefits under subsection (a) of section 202 or section 223 of such Act for a month prior to the month in which he attains age 65 pursuant to an application filed before the month in which this Act is enacted, and who is so entitled for the fifth month following the month of enactment of this Act, and whose entitlement to benefits under subsection (b) or (c) of such section 202 was prevented by subsection (b)(1)(E) or (c)(1)(D) of such section as in effect prior to the enactment of this Act, the benefits to which such individual is entitled for months after such fifth month shall be redetermined in accordance with subparagraphs (B), (C), (D) of subsection (e) (2) of this section, if, in addition to the application required by paragraph (A) of subsections 202(b)(1) and 202(c)(1), he files a written request for such a redetermination.

(e)(1)(A) Subject to subparagraph (B), subsection (b) of this section and the amendments made thereby shall apply with respect to benefits for months commencing with the sixth month after the month in which this Act is enacted.

(B) Subsection (b) of this section and the amendments made thereby shall apply in the case of an individual whose entitlement to benefits under section 202 of the Social Security Act began (without regard to sections 202(j)(1) and 223(b) of such Act) before the sixth month after the month in which this Act is enacted only if such individual files with the Secretary of Health, Education, and Welfare, in such manner and form as the Secretary shall by regulations prescribe, a written request that such subsection and such amendments apply. In the case of such an individual who is described in paragraph (2)(A)(i) of this subsection, the request for a redetermination under paragraph (2) shall constitute the request required by this subparagraph, and subsection (b) of this section and the amendments made thereby shall apply pursuant to such request with respect to such individual's benefits as redetermined in accordance with paragraph (2)(B)(i) (but only if he does not refuse to accept such redetermination). In the case of any individual with respect to whose benefits subsection (b) of this section and the amendments made thereby may apply only pursuant to a request made under this subparagraph, such subsection and such amendments shall be effective (subject to paragraph (2)(D)) with respect to benefits for months commencing with the sixth month after the month in which this Act is enacted or, if the request required by this subparagraph is not filed before the end of such sixth month, with the second month following the month in which the request is filed.

(C) Subsection (c) of this section shall apply with respect to benefits payable pursuant to applications filed on or after the date of the enactment of this Act.

(2)(A) In any case where an individual—

(i) is entitled, for the fifth month following the month in which this Act is enacted, to a monthly insurance benefit under section 202 of the Social Security Act (I) which was reduced under subsection (q)(3) of such section, and (II) the application for which was deemed (or, except for the fact that an application had been filed, would have been deemed) to have been filed by such individual under subsection (r)(1) or (2) of such section, and

(ii) files a written request for a redetermination under this subsection, on or after the date of the enactment of this Act and in such manner and form as the Secretary of Health, Education, and Welfare shall by regulations prescribe,

the Secretary shall redetermine the amount of such benefit, and the amount of the other benefit (reduced under subsection (q)(1) or (2) of such section) which was taken into account in computing the reduction in such benefit under such subsection (q)(3), in the manner provided in subparagraph (B) of this paragraph.

(B) Upon receiving a written request for the redetermination under this paragraph of a benefit which was reduced under subsection (q)(1), (2), or (3) of section 202 of the Social Security Act (or would have been so reduced except for subsection (b)(1)(E) or (c)(1)(D) of such section 202 as in effect prior to the enactment of this Act) and of the other benefit which was (or would have been) taken into account in computing such reduction, filed by an individual as provided in subsection (d)(2) or subparagraph (A) of this paragraph, the Secretary shall—

(i) determine the highest monthly benefit amount which such individual could receive under the subsections of such section 202 which are involved (or under section 223 of such Act and the subsection of such section 202 which is involved) for the month with which the redetermination is to be effective under subparagraph (D) of this subsection (without regard to sections 202(k), 203(a), and 203(b) through (l) as if—

(I) such individual's application for one of such two benefits had been filed in the month in which it was actually filed or was deemed under subsection (r) of such section 202 to have been filed, and his application for the other such benefit had been filed in a later month, and

(II) the amendments made by this section had been in effect at the time each such application was filed; and

(ii) determine whether the amounts which were actually received by such individual in the form of such benefit or of such two benefits during the period prior to the month with which the redetermination under this paragraph is to be effective were in excess of the amounts which would have been received during such period if the applications for such benefits had actually been filed at the times fixed under clause (i)(I) of this subparagraph, and, if so, the total amount by which benefits otherwise payable to such individual under such section 202 (and section 223) would have to be reduced in order to compensate the Federal Old-Age and Survivors Insurance Trust Fund (and the Federal Disability Insurance Trust Fund) for such excess.

(C) The Secretary shall then notify such individual of the amount of each such benefit as computed in accordance with the amendments made by subsections (a), (b), and (c) of this section and as redetermined in accordance with subparagraph (B)(i) of this paragraph, specifying (i) the amount (B)(ii) of this paragraph, and (ii) the period during which payment of any increase in such individual's benefits resulting from the application of the amendments made by subsections (a), (b), and (c) of this section would under designated circumstances have to be withheld in order to effect the reduction described in subparagraph (B)(ii). Such individual may at any time within thirty days after such notification is mailed to him refuse (in such manner and form as the Secretary shall by regulations prescribe) to accept the redetermination under this paragraph, in which event such redetermination shall not take effect.

(D) Unless the last sentence of subparagraph (C) applies, a redetermination under this paragraph shall be effective (but subject to the reduction described in subparagraph (B)(ii) over the period specified pursuant to clause (ii) of the first sentence of subparagraph (C)) beginning with the sixth month following the month in which this Act is enacted, or, if the request for such redetermination is not filed before the end of such sixth month, with the second month following the month in which the request for such redetermination is filed.

(E) The Secretary, by withholding amounts from benefits otherwise payable to an individual under title II of the Social Security Act as specified in clause (ii) of the first sentence of subparagraph (C) (and in no other manner), shall recover the amounts necessary to compensate the Federal Old-Age and Survivors Insurance Trust Fund (and the Federal Disability Insurance Trust Fund) for the excess (described in subparagraph (B)(ii)) attributable to benefits which were paid such individual and to which a redetermination under this subsection applies.

(f) Where—

(1) two or more persons are entitled on the basis of the wages and self-employment income of an individual (without the application of sections 202(j)(1) and 223(b) of the Social Security Act) to monthly benefits under section 202 of such Act for the month preceding the month with which (A) a redetermination under subsection (e) of this section becomes effective with respect to the benefits of any one of them and (B) such benefits are accordingly increased by reason of the amendments made by subsections (a), (b), and (c) of this section, and

(2) the total of benefits to which all persons are entitled under such section 202 on the basis of such wages and self-employment income for the month with which such redetermination and increase becomes effective is reduced by reason of section 203(a) of such Act as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced),

then the amount of the benefit to which each of the persons referred to in paragraph (1), other than the person with respect to whose benefits such redetermination and increase is applicable, is entitled for months beginning with the month with which such redetermination and increase becomes effective shall be adjusted, after the application of such section 203(a), to an amount no less than the amount it would have been if such redetermination and increase had not become effective.

COMPUTATION OF BENEFITS BASED ON COMBINED EARNINGS OF HUSBAND AND WIFE

SEC. 110. (a) Section 202(a) of the Social Security Act is amended to read as follows:

"(a)(1) Every individual who—

"(A) is a fully insured individual (as defined in section 214(a)),

"(B) has attained age 62, and

"(C) has filed application for old-age insurance benefits or was entitled to disability insurance benefits for the month preceding the month in which he attained age 65,

shall be entitled to an old-age insurance benefit for each month beginning with the first month in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies.

"(2) Except as provided in subsection (q), such individual's old-age insurance benefit for any month shall be equal to his primary insurance amount for such month as determined under section 215(a), or as determined under paragraph (3) of this subsection if such paragraph is applicable and its application increases the total of the monthly insurance benefits to which such individual and his spouse are entitled for the month in which the provisions of paragraph (3) are met. If the primary insurance amount of an individual or his spouse for any month is determined under paragraph (3), the primary insurance amount of each of them for such month shall, notwithstanding the preceding sentence, be determined only under paragraph (3).

"(3) If an individual and his spouse—

"(A) each has at least 20 years of coverage (as determined under the last sentence of section 215(a), with years of coverage determined under clause (i) of such sentence being credited for 1950 and consecutive prior

years, and without the application of the last sentence of section 215(b)(2)(C)), taking into account only years occurring during the period beginning with the calendar year in which they were married,

"(B) each attained age 62 after 1971,

"(C) each is entitled to benefits under this subsection (or section 223), and

"(D) each has filed an election to have his primary insurance amount determined under this paragraph,

then the primary insurance amount of such individual and the primary insurance amount of such spouse, for purposes of determining the old-age insurance benefit (prior to the application of subsection (w)) or disability insurance benefit of each of them for any month beginning with January 1972 or, if later, the month in which their elections under subparagraph (D) were filed, and ending with the month preceding the month in which either of them dies or they are divorced, shall be equal to 75 percent of the amount (specified in subparagraph (G)) derived by—

"(E) combining the annual wages and self-employment income of such individual and such spouse (including any wages and self-employment income taken into account in a recomputation made under section 215(f)) for each year in which either or both of them had any such wages or self-employment income, up to the maximum amount prescribed in section 215(e) for such year,

"(F) computing (under section 215 (b) and (d)) an average monthly wage on the basis of the wages and self-employment income determined under subparagraph (E) (or, if any wages and self-employment income have been taken into account in a recomputation under section 215(f), recomputing as provided in section 215(a)(1)(A) and (C) as though the year with respect to which such recomputation is made is the last year of the period specified in section 215(b)(2)(C)), as though all of such wages and self-employment income had been earned or derived by such individual or his spouse, whichever is younger, and

"(G) determining (under section 215(a)) an amount equal to the primary insurance amount which would result from the average monthly wage determined under subparagraph (F).

For purposes of subparagraph (F), if an individual or his spouse is entitled to disability insurance benefits, such individual or spouse shall be deemed to have atttained age 62 at the time provided in section 223(a)(2).

"(4) No benefits payable under subsection (b), (c), (d), (e), (f), (g), (h), or (i) shall be computed on the basis of a primary insurance amount determined under paragraph (3) of this subsection.

"(5) The term 'primary insurance amount' as used in the provisions of this title other than this subsection shall not include a primary insurance amount determined under paragraph (3) unless specifically so indicated.

(b)(1) Section 202(e)(1)(C)(i) of such Act (as amended by section 104(a)(1)(B) of this Act) is further amended by striking out "such individual," and inserting in lieu thereof "such individual or to an old-age or disability insurance benefit determined under subsection (a)(3),".

(2) Section 202(e)(2) of such Act (as amended by section 104(a)(2) of this Act) is further amended—

(A) by striking out "and subparagraph (B) of this paragraph" in subparagraph (A) and inserting in lieu thereof "and subparagraphs (B) and (C) of this paragraph"; and

(B) by adding at the end thereof the following new subparagraph:

"(C) In any case where a widow was entitled for the month preceding the month in which the deceased individual died to an old-age insurance benefit or a disability insurance benefit based on a primary insurance amount determined under section 202(a)(3), such widow's insurance benefit for each month shall be determined only on the basis of the wages and self-employment income of her deceased spouse and, for purposes of subparagraph (B), the old-age or disability insurance benefit of the deceased spouse shall be deemed to be the amount it would have been if it had been determined under subsection (a)(1) or section 223, except that after the application of subparagraphs (A) and (B), and subsection 203(a), such widow's insurance benefit shall be not less than the amount of the old-age or disability insurance benefit to which she would be entitled for such month (based on a primary insurance amount determined under subsection (a)(3)) if such individual had not died, disregarding for this purpose the period beginning with the year after the year of such individual's death and any wages and self-employment income paid to or derived by either of them during such period. This subparagraph shall not apply, in the case of a widow who remarries, with respect to the month in which such remarriage occurs or any subsequent month."

(c) Section 202(f)(3) of such Act (as amended by section 104(b)(2) of this Act) is further amended—

(A) by striking out "and subparagraph (B) of this paragraph" in subparagraph (A) and inserting in lieu thereof "and subparagraphs (B) and (C) of this paragraph"; and

(B) by adding at the end thereof the following new subparagraph:

"(C) In any case where a widower was entitled for the month preceding the month in which the deceased individual died to an old-age insurance benefit or a disability insurance benefit based on a primary insurance amount determined under section 202(a)(3), such widower's insurance benefit for each month shall be determined only on the basis of the wages and self-employment income of his deceased spouse and, for purposes of subparagraph (B), the old-age or disability insurance benefit of the deceased spouse shall be deemed to be the amount it would have been if it had been determined under subsection (a)(1) or section 223, except that after the application of subparagraphs (A) and (B), and subsection 203(a), such widower's insurance benefits shall be not less than the amount of the old-age or disability insurance benefit to which he would be entitled for such month (based on a primary insurance amount determined under subsection (a)(3)) if such individual had not died, disregarding for this purpose the period beginning with the year after the year of such individual's death and any wages and self-employment income paid to or derived by either of them during such period. This subparagraph shall not apply, in the case of a widower who remarries, with respect to the month in which such remarriage occurs or any subsequent month."

(d) Section 203(a) of such act (as amended by sections 101(b), 102(a)(2), and 103(b) of this Act) is further amended by striking out "or" at the end of paragraph (3), by striking out the period at the end of paragraph (4) and inserting in lieu thereof "; or", and by inserting after paragraph (4) the following new paragraph:

"(5) in applying this subsection in any case where the primary insurance amount of the insured individual was determined under section 202(a)(3) and his entitlement under such section has not terminated, the total of monthly benefits to which persons other than such individual may be entitled on the basis of such individual's wages and self-employment income shall be determined as though such individual's primary insurance amount had instead been determined under section 215(a) and without regard to section 202(a)(3)."

(e)(1) Section 215(a)(1) of such Act (as amended by sections 101(c) and 103(a)(1) of this Act) is amended by inserting after "this subsection" in the matter preceding subparagraph (A) the following: "and in section 202(a)(3)".

(2) Section 215(a)(2) of such Act (as amended by sections 101(c) and 103(c) of this Act) is further amended—

(A) by striking out "or" at the end of subparagraph (A),

(B) by striking out the period at the end of subparagraph (B) and inserting in lieu thereof "; or,", and

(C) by adding at the end thereof the following new subparagraph:

"(C) an amount equal to the primary insurance amount on which such disability insurance benefit is based if such primary insurance amount was determined under section 202(a)(3)."

(3) Section 215(f)(1) of such Act is amended by inserting "(or section 202(a)(3))" after "determined under this section."

(4) The second sentence of section 215(f)(2) of such Act is amended by inserting before the period at the end thereof the following: ", and, in the case of an individual whose primary insurance amount was determined under section 202(a)(3), as though such amount had instead been determined under subsection (a) of this section and without regard to section 202(a)(3)".

(5) Section 233(a)(2) of such Act (as amended by section 107(c) of this Act) is amended by inserting "(or under section 202(a)(3)) after "under section 215".

(f) The amendments made by this section shall apply only with respect to monthly insurance benefits under title II of the Social Security Act for months after December 1971.

LIBERALIZATION OF EARNINGS TEST

SEC. 111. (a)(1) Paragraphs (1) and (4)(B) of section 203(f) of the Social Security Act are each amended by striking out "$140" and inserting in lieu thereof "$166.66⅔ or the exempt amounts as determined under paragraph (8)."

(2) Paragraph (1)(A) of section 203(h) of such Act is amended by striking out "$140" and inserting in lieu thereof "166.66⅔ or the exempt amount as determined under subsection (f)(8)".

(3) Paragraph (3) of section 203(f) of such Act is amended to read as follows:

"(3) For purposes of paragraph (1) and subsection (h), an individual's excess earnings for a taxable year shall be 50 per centum of his earnings for such year in excess of the product of $166.66⅔ or the exempt amount as determined under parargaph (8), multiplied by the number of months in such year. The excess earnings as derived under the preceding sentence, if not a multiple of $1, shall be reduced to the next lower multiple of $1."

(b) The amendments made by this section shall apply with respect to taxable years ending after December 1971.

EXCLUSION OF CERTAIN EARNINGS IN YEAR OF ATTAINING AGE 72

SEC. 112. (a) The first sentence of section 203(f)(3) of the Social Security Act (as amended by section 111(a)(3) of this Act) is further amended by inserting before the period at the end thereof the following: ", except that, in determining an individual's excess earnings for the taxable year in which he attain age 72, there shall be excluded any earnings of such individual for the month in which he attains such age and any subsequent month (with any net earnings or net loss from self-employment in such year being prorated in an equitable manner under regulations of the Secretary)".

(b) The amendment made by subsection (a) shall apply with respect to taxable years ending after December 1971.

REDUCED BENEFITS FOR WIDOWERS AT AGE 60

SEC. 113 (a) Section 202(f) of the Social Security Act (as amended by section 104(b) of this Act) is further amended—

(1) by striking out "age 62" each place it appears in subparagraph (B) of paragraph (1) and in paragraph (6) and inserting in lieu thereof "age 60";

(2) by striking out "or the third month" in the matter following subparagraph (G) in paragraph (1) and inserting in lieu thereof "or, if he became entitled to such benefits before he attained age 60, the third month"; and

(3) by striking out "the age of 62" in paragraph (5) and inserting in lieu thereof "the age of 60".

(b) (1) The last sentence of section 203(c) of such Act (as amended by section 104(c)(1) of this Act) is further amended by striking out "age 62" and inserting in lieu thereof "age 60".

(2) Clause (D) of section 203(f)(1) of such Act as amended by section 104(c)(2) of this Act, is further amended by striking out "age 62" and inserting in lieu thereof "age 60".

(3) Section 222(b)(1) of such Act is amended by striking out "a widow or surviving divorced wife who has not attained age 60, a widower who has not attained age 62" and inserting in lieu thereof "a widow, widower or surviving divorced wife who has not attained age 60".

(4) Section 222(d)(1)(D) of such Act is amended by striking out "age 62" each place it appears and inserting in lieu thereof "age 60".

(5) Section 225 of such Act is amended by striking out "age 62" and inserting in lieu thereof "age 60".

(c) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1971, except that in the case of an individual who was not entitled to a monthly benefit under title II of such Act for December 1971 such amendemnts shall apply only on the basis of an application filed in or after the month in which this Act is enacted.

ENTITLEMENT TO CHILD'S INSURANCE BENEFITS BASED ON DISABILITY WHICH BEGAN BETWEEN AGE 18 AND 22

SEC. 114. (a) Clause (ii) of section 202(d)(1)(B) of the Social Security Act is amended by striking out "which began before he attained the age of eighteen" and inserting in lieu thereof "which began before he attained the age of 22".

(b) Subparagraphs (F) and (G) of section 202(d)(1) of such Act are amended to read as follows:

"(F) if such child was not under a disability (as so defined) at the time he attained the age of 18, the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined in such earlier month; or

"(G) if such child was under a disability (as so defined) at the time he attained the age of 18, or if he was not under a disability (as so defined) at such time but was under a disability (as so defined) at or prior to the time he attained (or would attain) the age of 22, the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined) in such earlier month."

(c) Section 202(d)(1) of such Act is further amended by adding at the end thereof the following new sentence: "No payment under this paragraph may be made to a child who would not meet the definition of disability in section 223(d) except for paragraph (1)(B) thereof for any month in which he engages in substantial gainful activity."

(d) Section 202(d)(6) of such Act is amended by striking out "in which he is a full-time student and has not attained the age of 22" and all that follows and inserting in lieu thereof "in which he—

"(A) (i) is a full-time student or is under a disability (as defined in section 223(d)), and (ii) had not attained the age of 22, or

"(B) is under a disability (as so defined) which began before the close of the 84th month following the month in which his most recent entitlement to child's insurance benefits terminated because he ceased to be under such disability,

but only if he has filed application for such reentitlement. Such reentitlement shall end with the month preceding whichever of the following first occurs:

"(C) the first month in which an event specified in paragraph (1)(D) occurs;

"(D) the earlier of (i) the first month during no part of which he is a full-time student or (ii) the month in which he attains the age of 22, but only if he is not under a disability (as so defined) in such earlier month; or

"(E) if he was under a disability (as so defined), the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22."

(e) Section 202(s) of such Act is amended—

(1) by striking out "which began before he attained such age" in paragraph (1); and

(2) by striking out "which began before such child attained the age of 18" in paragraphs (2) and (3).

(f) The amendments made by this section shall apply only with respect to monthly benefits under section 202 of the Social Security Act for months after December 1971 except that in the case of an individual who was not entitled to a monthly benefit under such section 202 for December 1971 such amendments shall apply only in the basis of an application filed after September 30, 1971.

(g) Where—

(1) one or more persons are entitled (without the application of sections 202(j)(1) and 223(b) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for December 1971 on the basis of the wages and self-employment income of an insured individual, and

(2) one or more persons (not included in paragraph (1)) are entitled to monthly benefits under such section 202 or 223 for January 1972 solely by reason of the amendments made by this section on the basis of such wages and self-employment income, and

(3) the total of benefits to which all persons are entitled under such sections 202 and 223 on the basis of such wages and self-employment income for January 1972 is reduced by reason of section 203(a) of such Act as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced),

then the amount of the benefit to which each person referred to in paragraph (1) of this subsection is entitled for months after December 1971 shall be adjusted, after the application of such section 203(a), to an amount no less than the amout it would have been if the person or persons referred to in paragraph (2) of this subsection were not entitled to a benefit referred to in such paragraph (2).

CONTINUATION OF CHILD'S BENEFITS THROUGH END OF SEMESTER

SEC. 115. (a) Paragraph (7) of section 202(d) of the Social Security Act is amended by adding at the end thereof the following new subparagraph:

"(D) A child who attains age 22 at a time when he is a full-time student (as defined in subparagraph (A) of this paragraph) but has not (at such time) completed the requirements for, or received, a degree from a four-year college or university shall be deemed (for purposes of determining whether his entitlement to benefits under this subsection has terminated under paragraph (1)(F) and for purposes of determining his initial entitlement to such benefits under clause (ii) of paragraph (1)(B) not to have attained such age until the first day of the first month following the end of the quarter or semester in which he is enrolled at such time (or, if the educational institution (as defined in this paragraph) in which he is enrolled is not operated on a quarter or semester system, until the first day of the first month following the completion of the course in which he is so enrolled or until the first day of the third month beginning after such time whichever first occurs)."

(b) The amendment made by subsection (a) shall apply only with respect to benefits payable under title II of the Social Security Act for months after December 1971.

CHILD'S BENEFITS IN CASE OF CHILD ENTITLED ON MORE THAN ONE WAGE RECORD

SEC. 116. (a) Section 202(k)(2)(A) of the Social Security Act is amended to read as follows:

"(2)(A)(i) Any child who under the preceding provisions of this section is entitled for any month to child's insurance benefits on the wages and self-employment income of more than one insured individual shall, notwithstanding such provisions, be entitled to only one of such child's insurance benefits for such month. Subject to the succeeding provisions of this subparagraph, such child's insurance benefit for such month shall be the largest benefit to which such child could be entitled under subsection (d) (without the application of section 203(a)).

"(ii) If the largest benefit to which such child could be entitled under subsection (d) is based on the wages and self-employment income of an insured individual other than the insured individual who has the greatest primary insurance amount, but payment of such benefit on the basis of such wages and self-employment income would result in a smaller benefit (after the application of section 203(a)) for such month for any other person entitled to benefits based on such wages and self-employment income, such child's insurance benefit for such month shall (subject to clause (iii)) be the benefit based on the wages and self-employment income of the insured individual who has the greatest primary insurance amount.

"(iii) If there are two or more insured individuals (other than the insured individual who has the greatest primary insurance amount) on the basis of whose wages and self-employment income such child could be entitled under subsection (d) to a benefit larger than the benefit based on the wages and self-employment income of the insured individual who has the greatest primary insurance amount, such child's insurance benefit for such month shall be the largest benefit to which such child could be entitled under subsection (d) (without the application of section 203(a)) on the basis of the wages and self-employment income of any of them with respect to whom the provisions of clause (ii) are not applicable, and shall not be the benefit based on the wages and self-employment income of the insured individual who has the greatest primary insurance amount as otherwise specified in clause (ii) unless the provisions of such clause are applicable with respect to all of such insured individuals."

(b) The amendment made by subsection (a) shall apply only with respect to monthly benefits under title II of the Social Security Act for months after December 1971.

ADOPTIONS BY DISABILITY AND OLD-AGE INSURANCE BENEFICIARIES

SEC. 117. (a) Section 202(d) of the Social Security Act is amended by striking out paragraphs (8) and (9) and inserting in lieu thereof the following new paragraph:

"(8) In the case of—

"(A) an individual entitled to old-age insurance benefits (other than an individual referred to in subparagraph (B)), or

"(B) an individual entitled to disability insurance benefits, or an individual entitled to old-age insurance benefits who was entitled to disability insurance benefits for the month preceding the first month for which he was entitled to old-age insurance benefits,

a child of such individual adopted after such individual became entitled to such old-age or disability insurance benefits shall be deemed not to meet the requirements of clause (i) or (iii) of paragraph (1)(C) unless such child—

"(C) is the natural child or stepchild of such individual (including such a child who was legally adopted by such individual), or

"(D) (i) was legally adopted by such individual in an adoption decreed by a court of competent jurisdiction within the United States,

"(ii) was living with such individual in the United States and receiving at least one-half of his support from such individual (I) if he is an individual referred to in subparagraph (A), for the year immediately before the month in which such individual became entitled to old-age insurance benefits or, if such individual had a period of disability which continued until he had become entitled to old-age insurance benefits, the month in which such period of disability began, or (II) if he is an individual referred to in subparagraph (B), for the year immediately before the month in which began the period of disability of such individual which still exists at the time of adoption (or, if such child was adopted by such individual after such individual attained age 65, the period of disability of such individual which existed in the month preceding the month in which he attained age 65), or the month in which such individual became entitled to disability insurance benefits, and

"(iii) had not attained the age of 18 before he began living with such individual.

In the case of a child who was born in the one-year period during which such child must have been living with and receiving at least one-half of his support from such individual, such child shall be deemed to meet such requirements for such period if, as of the close of such period, such child has lived with such individual in the United States and received at least one-half of his support from such individual for substantially all of the period which begins on the date of birth of such child."

(b) The amendment made by subsection (a) shall apply with respect to monthly benefits payable under title II of the Social Security Act for months after December 1967 on the basis of an application filed in or after the month in which this Act is enacted; except that such amendments shall not apply with respect to benefits for any month before the month in which this Act is enacted unless such application is filed before the close of the sixth month after the month in which this Act is enacted.

CHILD'S INSURANCE BENEFITS NOT TO BE TERMINATED BY REASON OF ADOPTION

SEC. 118. (a) Paragraph (1)(D) of section 202(d) of the Social Security Act is amended by striking out "marries" and all that follows and inserting in lieu thereof "or marries,".

(b) The amendment made by subsection (a) shall apply only with respect to monthly benefits under title II of the Social Security Act for months beginning with the month in which this Act is enacted.

(c) Any child—

(1) whose entitlement to child's insurance benefits under section 202(d) of the Social Security Act was terminated by reason of his adoption, prior to the date of the enactment of this Act, and

(2) who, except for such adoption, would be entitled to child's insurance benefits under such section for a month after the month in which this Act is enacted,

may, upon filing application for child's insurance benefits under the Social Security Act after the date of enactment of this Act, become reentitled to such benefits; except that no child shall, by reason of the enactment of this section, become reentitled to such benefits for any month prior to the month after the month in which this Act is enacted.

BENEFITS FOR CHILD BASED ON EARNINGS RECORD OF GRANDPARENT

SEC. 119. (a) The first sentence of section 216(e) of the Social Security Act is amended—

(1) by striking out "and" at the end of clause (1), and

(2) by inserting immediately before the period at the end thereof the following: ", and (3) a person who is the grandchild or stepgrandchild of an individual or his spouse, but only if (A) neither of such person's natural or adoptive parents were living at the time (i) such individual became entitled to old-age insurance benefits or disability insurance benefits or died, or (ii) if such individual had a period of disability which continued until such individual became entitled to old-age insurance benefits or disability insurance benefits, or died, at the time such period of disability began, or (B) such person was legally adopted after the death of such individual by such individual's surviving spouse in an adoption that was decreed by a court of competent jurisdiction within the United States and such person's natural or adopting parent or stepparent was not living in such individual's household and making regular contributions toward such person's support at the time such individual died".

(b) Section 202(d) of such Act (as amended by section 117 of this Act) is further amended by adding at the end thereof the following new paragraph:

"(9)(A) A child who is a child of an individual under clause (3) of the first sentence of section 216(e) and is not a child of such individual under clause (1) or (2) of such first sentence shall be deemed not to be dependent on such individual at the time specified in subparagraph (1)(C) of this subsection unless (i) such child was living with such individual in the United States and receiving at least one-half of his support from such individual (I) for the year immediately before the month in which such individual became entitled to old-age insurance benefits or disability insurance benefits or died, or (II) if such individual had a period of disability which continued until he had become entitled to old-age insurance benefits, or disability insurance benefits, or died, for the year immediately before the month in which such period of disability began, and (ii) the period during which such child was living with such individual began before the child attained age 18.

"(B) In the case of a child who was born in the one-year period during which such child must have been living with and receiving at least one-half of his support from such individual, such child shall be deemed to meet such requirements for such period if, as of the close of such period, such child has lived with such individual in the United States and received at least on-half of his support from such individual for substantially all of the period which begins on the date of such child's birth."

(c) The amendments made by this section shall apply with respect to monthly benefits payable under title II of the Social Security Act for months after December 1971, but only on the basis of applications filed on or after the date of the enactment of this Act.

ELIMINATION OF SUPPORT REQUIREMENT AS CONDITION OF BENEFITS FOR DIVORCED AND SURVIVING DIVORCED WIVES

SEC. 120. (a) Section 202(b)(1) of the Social Security Act (as amended by section 109 (a) of this Act) is further amended—

(1) by adding "and" at the end of subparagraph (C),

(2) by striking out subparagraph (D), and

(3) by redesignating, subparagraphs (E) through (L) as subparagraphs (D) through (K), respectively.

(b)(1) Section 202(e)(1) of such Act (as amended by section 104(a) of this Act) is further amended—

(A) by adding "and" at the end of subparagraph (C),

(B) by striking out subparagraph (D), and

(C) by redesignating subparagraphs (E) through (G) as subparagraphs (D) through (F), respectively.

(2) Section 202(e)(6) of such Act is amended by striking out "paragraph (1)(G)" and inserting in lieu thereof "paragraph (1)(F)".

(c) Section 202(g)(1)(F) of such Act is amended by striking out clause (i), and by redesignating clauses (ii) and (iii) as clauses (i) and (ii), respectively.

(d) The amendments made by this section shall apply only with respect to benefits payable under title II of the Social Security Act for months after December 1971 on the basis of applications filed on or after the date of the enactment of this Act.

(e) Where—

(1) one or more persons are entitled (without the application of sections 202(j)(1) and 223(b) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for December 1971 on the basis of the wages and self-employment income of an insured individual, and

(2) one or more persons (not included in paragraph (1)) are entitled to monthly benefits under such section 202(g) for a month after December 1971 on the basis of such wages and self-employment income,

and

(3) the total of benefits to which all persons are entitled under such section 202 and 223 on the basis of such wages and self-employment income for any month after December 1971 is reduced by reason of section 203(a) of such Act as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced),

then the amount of the benefit to which each person referred to in paragraph (1) of this subsection is entitled beginning with the first month after December 1971 for which any person referred to in paragraph (2) becomes entitled shall be adjusted, after the application of such section 203(a), to an amount no less than the amount it would have been if the person or persons referred to in paragraph (2) of this subsection were not entitled to a benefit referred to in such paragraph (2).

WAIVER OF DURATION-OF-RELATIONSHIP REQUIREMENT FOR WIDOW, WIDOWER, OR STEPCHILD IN CASE OF REMARRIAGE TO THE SAME INDIVIDUAL

SEC. 121. (a) The heading of section 216(k) of the Social Security Act is amended by adding at the end thereof ", or in Case of Remarriage to the Same Individual".

(b) Section 216(k) of such Act is amended by striking out "if his death—" and all that follows and inserting in lieu thereof "if—

"(1) his death—

"(A) is accidental, or

"(B) occurs in line of duty while he is a member of a uniformed service serving

on active duty (as defined in section 210(l)(2)),
and he would satisfy such requirement if a three-month period were substituted for the nine-month period, or

"(2)(A) the widow or widower of such individual had been previously married to such individual and subsequently divorced and such requirement would have been satisfied at the time of such divorce if such previous marriage had been terminated by the death of such individual at such time instead of by divorce; or

"(B) the stepchild of such individual had been the stepchild of such individual during a previous marriage of such stepchild's parent to such individual which ended in divorce and such requirement would have been satisfied at the time of such divorce if such previous marriage had been terminated by the death of such individual at such time instaed of by divorce;
except that this subsection shall not apply if the Secretary determines that at the time of the marriage involved the individual could not have reasonably been expected to live for nine months. For purposes of paragraph (1)(A) of this subsection, the death of an individual is accidental if he receives bodily injuries solely through violent, external, and accidental means and, as a direct result of the bodily injuries and independently of all other causes, loses his life not later than three months after the day on which he receives such bodily injuries."

(c) The amendments made by this section shall apply only with respect to benefits payable under title II of the Social Security Act for months after December 1971 on the basis of applications filed in or after the month in which this Act is enacted.

REDUCTION FROM 6 TO 5 MONTHS OF WAITING PERIOD FOR DISABILITY BENEFITS

SEC. 122. (a) Section 223(c)(2) of the Social Security Act is amended—

(1) by striking out "six" and inserting in lieu thereof "five", and

(2) by striking out "eighteenth" each place it appears and inserting in lieu thereof "seventeenth".

(b) Section 202(e)(6) of such Act is amended—

(1) by striking out "six" and inserting in lieu thereof "five",

(2) by striking out "eighteenth" and inserting in lieu thereof "seventeenth", and

(3) by striking out "sixth" and inserting in lieu thereof "fifth".

(c) Section 202(f)(7) of such Act is amended—

(1) by striking out "six" and inserting in lieu thereof "five",

(2) by striking out "eighteenth" and inserting in lieu thereof "seventeenth", and

(3) by striking out "sixth" and inserting in lieu thereof "fifth".

(d) Section 216(i)(2)(A) of such Act is amended by striking out "6" and inserting in lieu thereof "five".

(e) The amendments made by this section shall be effective with respect to applications for disability insurance benefits under section 223 of the Social Security Act, applications for widow's and widower's insurance benefits based on disability under section 202 of such Act, and applications for disability determinations under section 216(i) of such Act, filed—

(1) in or after the month in which this Act is enacted, or

(2) before the month in which this Act is enacted if—

(A) notice of the final decision of the Secretary of Health, Education, and Welfare has not been given to the applicant before such month, or

(B) the notice referred to in subparagraph (A) has been so given before such month but a civil action with respect to such final decision is commenced under section 205(g) of the Social Security Act (whether before, in, or after such month) and the decision in such civil action has not become final before such month;

except that no monthly benefits under title II of the Social Security Act shall be payable or increased by reason of the amendments made by this section for any month before January 1972.

ELIMINATION OF DISABILITY INSURED-STATUS REQUIREMENT OF SUBSTANTIAL RECENT COVERED WORK IN CASE OF INDIVIDUALS WHO ARE BLIND

SEC. 123. (a) The first sentence of section 216(i)(3) of the Social Security Act is amended by striking out all that follows subparagraph (B) and inserting in lieu thereof the following:
"except that the provisions of subparagraph (B) of this paragraph shall not apply in the case of an individual who is blind (within the meaning of 'blindness' as defined in paragraph (1))."

(b) Section 223(c)(1) of such Act is amended by striking out "coverage." in subparagraph (B)(iii) and inserting in lieu thereof "coverage;", and by striking out "For purposes" and inserting in lieu thereof the following:
"except that the provisions of subparagraph (B) of this paragraph shall not apply in the case of an individual who is blind (within the meaning of 'blindness' as defined in section 216(i)(1)). For purposes".

(c) The amendments made by this section shall be effective with respect to applications for disability insurance benefits under section 223 of the Social Security Act, and for disability determinations under section 216(i) of such Act, filed—

(1) in or after the month in which this Act is enacted, or

(2) before the month in which this Act is enacted if—

(A) notice of the final decision of the Secretary of Health, Education, and Welfare has not been given to the applicant before such month; or

(B) the notice referred to in subparagraph (A) has been so given before such month but a civil action with respect to such final decision is commenced under section 205(g) of the Social Security Act (whether before, in, or after such month) and the decision in such civil action has not become final before such month;

except that no monthly benefits under title II of the Social Security Act shall be payable or increased by reason of the amendments made by this section for months before January 1972.

APPLICATIONS FOR DISABILITY INSURANCE BENEFITS FILED AFTER DEATH OF INSURED INDIVIDUAL

SEC. 124. (a)(1) Section 223(a)(1) of the Social Security Act is amended by adding at the end thereof the following new sentence: "In the case of a deceased individual, the requirement of subparagraph (C) may be satisfied by an application for benefits filed with respect to such individual within 3 months after the month in which he died."

(2) Section 223(a)(2) of such Act is amended by striking out "he filed his application for disability insurance benefits and was" and inserting in lieu thereof "the application for disability insurance benefits was filed and he was".

(3) The third sentence of section 223(b) of such Act is amended by striking out "if he files such application" and inserting in lieu thereof "if such application is filed".

(4) Section 223(c)(2)(A) of such Act is amended by striking out "who files such application" and inserting in lieu thereof "with respect to whom such application is filed".

(b) Section 216(i)(2)(B) of such Act is amended by adding at the end thereof the following new sentence: "In the case of a deceased individual, the requirement of an application under the preceding sentence may be satisfied by an application for a disability determination filed with respect to such individual within 3 months after the month in which he died."

(c) The amendments made by this section shall apply in the case of deaths occurring after December 31, 1969. For purposes of such amendments (and for purposes of sections 202(j)(1) and 223(b) of the Social Security Act), any application with respect to an individual whose death occurred after December 31, 1969, but before the date of the enactment of this Act which is filed within 3 months in or after the month in which this Act is enacted shall be deemed to have been filed in the month in which such death occurred.

WORKMEN'S COMPENSATION OFFSET FOR DISABILITY INSURANCE BENEFICIARIES

SEC. 125. (a) The next to last sentence of section 224(a) of the Social Security Act is amended—

(1) by striking out "larger" and inserting in lieu thereof "largest",

(2) by striking out "or" before "(B)", and

(3) by inserting before the period at the end thereof the following: ", or (C) one-twelfth of the total of his wages and self-employment income (computed without regard to the limitations specified in sections 209(a) and 211(b)(1)) for the calendar year in which he had the highest such wages and income during the period consisting of the calendar year in which he became disabled (as defined in section 223(d)) and the five years preceding that year".

(b) The last sentence of section 224(a) of such Act is amended by striking out "clause (B)" and inserting in lieu thereof "clauses (B) and (C)".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1971.

WAGE CREDITS FOR MEMBERS OF THE UNIFORMED SERVICES

SEC. 126. (a) Subsection 229(a) of the Social Security Act is amended—

(1) by striking out "after December 1967" and inserting in lieu thereof "after December 1971";

(2) by striking out "after 1967" and inserting in lieu thereof "after 1956"; and

(3) by striking out all that follows "(in addition to the wages actually paid to him for such service)" and inserting in lieu thereof "of $300."

(b) The amendments made by subsection (a) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1971 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1971 except that, in the case of any individual who is entitled, on the basis of the wages and self-employment income of any individual to whom section 229 of such Act applies, to monthly benefits under title II of such Act for the month in which this Act is enacted, such amendments shall apply (1) only if a written request for a recalculation of such benefits (by reason of such amendments) under the provisions of section 215 (b) and (d) of such Act, as in effect at the time such request is filed, is filed by such individual, or any other individual, entitled to benefits under such title II on the basis of such wages and self-employment income, and (2) only with respect to such benefits for months beginning with whichever of the following is later: January 1972 or the twelfth month before the month in which such request was filed. Recalculations of benefits as required to carry out the provisions of this paragraph shall be made notwithstanding the provisions of section 215(d)(1) of the Social Security Act, and no such recalculation shall be regarded as a recomputation for purposes of section 215(f) of such Act.

OPTIONAL DETERMINATION OF SELF-EMPLOYMENT EARNINGS

SEC. 127. (a)(1) Section 211(a) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"The preceding sentence and clauses (i) through (iv) of the second preceding sentence shall also apply in the case of any trade or business (other than a trade or business specified in such second preceding sentence) which is carried on by an individual who is self-employed on a regular basis as defined in subsection (g), or by a partnership of which an individual is a member on a regular basis as defined in subsection (g), but only if such individual's net earnings from self-employment in the taxable year (not counting any net earnings derived from a trade or business specified in such second preceding sentence) as determined without regard to this sentence are less than $1,600 and less than 66⅔ percent of the sum (in such taxable year) of such individual's gross income derived from all the trades or businesses carried on by him to which this sentence refers and his distributive share of the income or loss from such trades or businesses carried on by all the partnerships of which he is a member; except that this sentence shall not apply to more than 5 taxable years in the case of any individual, and in no case in which an individual elects to determine the amount of his net earnings from self-employment for a taxable year under the provisions of the two preceding sentences with respect to a trade or business to which the second preceding sentence applies and with respect to a trade or business to which this sentence applies shall such net earnings for such year exceed $1,600."

(2) Section 211 of such Act is amended by adding at the end thereof the following new subsection:

"Regular Basis

"(g) An individual shall be deemed to be self-employed on a regular basis in a taxable year, or to be a member of a partnership on a regular basis in such year, if he had net earnings from self-employment, as defined in the first sentence of subsection (a), of not less than $400 in at least two of the three consecutive taxable years immediately preceding such taxable year from trades or businesses carried on by such individual or such partnership."

(b)(1) Section 1402(a) of the Internal Revenue Code of 1954 (relating to definition of net earnings from self-employment) is amended by adding at the end thereof the following new paragraph:

"The preceding sentence and clauses (i) through (iv) of the second preceding sentence shall also apply in the case of any trade or business (other than a trade or business specified in such second preceding sentence) which is carried on by an individual who is self-employed on a regular basis as defined in subsection (i), or by a partnership of which an individual is a member on a regular basis as defined in subsection (i), but only if such individual's net earnings from self-employment (excluding any net earnings derived from a trade or business specified in such second preceding sentence) as determined without regard to this sentence in the taxable year are less than $1,600 and less than 66⅔ percent of the sum (in such taxable year) of such individual's gross income derived from all the trades or businesses carried on by him to which this sentence refers and his distributive share of the income or loss from such trades or businesses carried on by all the partnerships of which he is a member; except that this sentence shall not apply to more than 5 taxable years in the case of any individual, and in no case in which an individual elects to determine the amount of his net earnings from self-employment for a taxable year under the provisions of the two preceding sentences with respect to a trade or business to which the second preceding sentence applies and with respect to a trade or business to which this sentence applies shall such net earnings for such year exceed $1,600."

(2) Section 1402 of such Code (definitions relating to Self-Employment Contributions Act of 1954) is amended by adding at the end thereof the following new subsection:

"Regular Basis

"(i) An individual shall be deemed to be self-employed on a regular basis in a taxable year, or to be a member of a partnership on a regular basis in such year, if he had net earnings from self-employment, as defined in the first sentence of subsection (a), of not less than $400 in at least two of the three consecutive taxable years immediately preceding such taxable year from trades or businesses carried on by such individual or such partnership."

(c) The amendments made by this section shall apply only with respect to taxable years beginning after December 31, 1971.

PAYMENTS BY EMPLOYER TO SURVIVOR OR ESTATE OF FORMER EMPLOYEE

SEC. 128. (a) Section 209 of the Social Security Act is amended by striking out "or" at the end of subsection (l), by striking out the period at the end of subsection (m) and inserting in lieu thereof "; or", and by inserting after subsection (m) the following new subsection:

"(n) Any payment made by an employer to a survivor or the estate of a former employee after the calendar year in which such employee died."

(b) Section 3121(a) of the Internal Revenue Code of 1954 (relating to definition of wages) is amended by striking out "or" at the end of paragraph (12), by striking out the period at the end of paragraph (13) and inserting in lieu thereof "; or", and by inserting after paragraph (13) the following new paragraph:

"(14) any payment made by an employer to a survivor or the estate of a former employee after the calendar year in which such employee died."

(c) The amendments made by this section shall apply in the case of any payment made after December 1971.

COVERAGE FOR VOW-OF-POVERTY MEMBERS OF RELIGIOUS ORDERS

SEC. 129. (a)(1) Section 210(a)(8)(A) of the Social Security Act is amended by inserting before the semicolon at the end thereof the following: ", except that this subparagraph shall not apply to service performed by a member of such an order in the exercise of such duties, if an election of coverage under section 3121(a) of the Internal Revenue Code of 1954 is in effect with respect to such order, or with respect to the autonomous subdivision thereof to which such member belongs".

(2) Section 3121(b)(8)(A) of the Internal Revenue Code of 1954 (relating to definition of employment) is amended by inserting before the semicolon at the end thereof the following: ", except that this subparagraph shall not apply to service performed by a member of such an order in the exercise of such duties, if an election of coverage under subsection (r) is in effect with respect to such order, or with respect to the autonomous subdivision thereof to which such member belongs".

(b) Section 3121 of such Code (definitions relating to Federal Insurance Contributions Act) is amended by adding at the end thereof the following new subsection:

"(r) ELECTION OF COVERAGE BY RELIGIOUS ORDERS.—

"(1) CERTIFICATE OF ELECTION BY ORDER.—A religious order whose members are required to take a vow of poverty, or any autonomous subdivision of such order, may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations under this chapter) electing to have the insurance system established by title II of the Social Security Act extended to services performed by its members in the exercise of duties required by such order or such subdivision thereof. Such certificate of election shall provide that—

"(A) such election of coverage by such order or subdivision shall be irrevocable;

"(B) such election shall apply to all current and future members of such order, or in the case of a subdivision thereof to all current and future members of such order who belong to such subdivision;

"(C) all services performed by a member of such an order or subdivision in the exercise of duties required by such order or subdivision shall be deemed to have been performed by such member as an employee of such order or subdivision; and

"(D) the wages of each member, upon which such order or subdivision shall pay the taxes imposed by sections 3101 and 3111, will be determined as provided in subsection (l)(4).

"(2) DEFINITION OF MEMBER.—For purposes of this subsection, a member of a religious order means any individual who is subject to a vow of poverty as a member of such order and who performs tasks usually required (and to the extent usually required) of an active member of such order and who is not considered retired because of old age or total disability.

"(3) EFFECTIVE DATE FOR ELECTION.—(A) A certificate of election of coverage shall be in effect, for purposes of subsection (b)(8)(A) and for purposes of section 210(a)(8)(A) of the Social Security Act, for the period beginning with whichever of the following may be designated by the order or subdivision thereof:

"(i) the first day of the calendar quarter in which the certificate is filed,

"(ii) the first day of the calendar quarter succeeding such quarter, or

"(iii) the first day of any calendar quarter preceding the calendar quarter in which the certificate is filed, except that such date may not be earlier than the first day of the twentieth calendar quarter preceding the quarter in which such certificate is filed.

Whenever a date is designated under clause (iii), the election shall apply to services performed before the quarter in which the certificate is filed only if the member performing such services was a member at the time such services were performed and is living on the first day of the quarter in which such certificate is filed.

"(B) If a certificate of election filed pursuant to this subsection is effective for one or more calendar quarters prior to the quarter in which such certificate is filed, then—

"(i) for purposes of computing interest and for purposes of section 6651 (relating to addition to tax for failure to file tax return), the due date for the return and payment of the tax for such prior calendar quarters resulting from the filing of such certificate shall be the last day of the calendar month following the calendar quarter in which the certificate is filed; and

"(ii) the statutory period for the assessment of such tax shall not expire before the expiration of 3 years from such due date.

"(4) COORDINATION WITH COVERAGE OF LAY EMPLOYEES.—Notwithstanding the preceding provisions of this subsection, no certificate of election shall become effective with respect to an order or subdivision thereof, unless—

"(A) if at the time the certificate of election is filed a certificate of waiver of exemption under subsection (k) is in effect with respect to such order or subdivision, such order or subdivision amends such certificate of waiver of exemption (in such form and manner as may be prescribed by regulations made under this chapter) to provide that it may not be revoked, or

"(B) if at the time the certificate of elec-

tion is filed a certificate of waiver of exemption under such subsection is not in effect with respect to such order or subdivision, such order or subdivision files such certificate of waiver of exemption under the provisions of such subsection except that such certificate of waiver of exemption cannot become effective at a later date than the certificate of election and such certificate of waiver of exemption must specify that such certificate of waiver of exemption may not be revoked. The certificate of waiver of exemption required under this subpargraph shall be filed notwithstanding the provisions of subsection (k)(3)."

(c)(1) Section 209 of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"For purposes of this title, in any case where an individual is a member of a religious order (as defined in section 3121(r)(2) of the Internal Revenue Code of 1954) performing service in the exercise of duties required by such order, and an election of coverage under section 3121(r) of such Code is in effect with respect to such order or with respect to the autonomous subdivision thereof to which such member belongs, the term 'wages' shall, subject to the provisions of subsection (a) of this section, include as such individual's remuneration for such service the fair market value of any board, lodging, clothing, and other perquisites furnished to such member by such order or subdivision thereof or by any other person or organization pursuant to an agreement with such order or subdivision, except that the amount included as such individual's remuneration under this paragraph shall not be less than $100 a month."

(2) Section 3121(i) of the Internal Revenue Code of 1954 (relating to computation of wages in certain cases) is amended by adding at the end thereof the following new paragraph:

"(4) SERVICE PERFORMED BY CERTAIN MEMBERS OF RELIGIOUS ORDERS.—For purposes of this chapter, in any case where an individual is a member of a religious order (as defined in subsection (r)(2)) performing service in the exercise of duties required by such order, and an election of coverage under subsection (r) is in effect with respect to such order or with respect to the autonomous subdivision thereof to which such member belongs, the term 'wages' shall, subject to the provisions of subsection (a)(1), include as such individual's remuneration for such service the fair market value of any board, lodging, clothing, and other perquisites furnished to such member by such order or subdivision thereof or by any other person or organization pursuant to an agreement with such order or subdivision, except that the amount included as such individual's remuneration under this paragraph shall not be less than $100 a month."

SELF-EMPLOYMENT INCOME OF CERTAIN INDIVIDUALS TERPORARILY LIVING OUTSIDE THE UNITED STATES

SEC. 130. (a) Section 211(a) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (8);

(2) by striking out the period at the end of paragraph (9) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (9) the following new paragaph:

"(10) In the case of an individual who has been a resident of the United States during the entire taxable year, the exclusion from gross income provided by section 911(a)(2) of the Internal Revenue Code of 1954 shall not apply."

(b) Section 1402(a) of the Internal Revenue Code of 1954 (relating to definition of net earnings from self-employment) is amended—

(1) by striking out "and" at the end of paragraph (9);

(2) by striking out the period at the end of paragraph (10) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (10) the following new paragraph:

"(11) in the case of an individual who has been a resident of the United States during the entire taxable year; the exclusion from gross income provided by section 911(a)(2) shall not apply."

(c) The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1971.

COVERAGE OF FEDERAL HOME LOAN BANK EMPLOYEES

SEC. 131. (a) The provisions of section 210(a)(6)(B)(ii) of the Social Security Act and section 3121(b)(6)(B)(ii) of the Internal Revenue Code of 1953, insofar as they relate to service performed in the employ of a Federal home loan bank, shall be effective—

(1) with respect to all service performed in the employ of a Federal home loan bank on and after the first day of the first calendar quarter which begins on or after the date of the enactment of this Act; and

(2) in the case of individuals who are in the employ of a Federal home loan bank on such first day, with respect to any service performed in the employ of a Federal home loan bank after the last day of the sixth calendar year preceding the year in which this Act is enacted; but this paragraph shall be effective only if an amount equal to the taxes imposed by sections 3101 and 3111 of such Code with respect to the services of all such individuals performed in the employ of Federal home loan banks after the last day of the sixth calendar year preceding the year in which this Act is enacted are paid under the provisions of section 3122 of such Code by July 1, 1972, or by such later date as may be provided in an agreement entered into before such date with the Secretary of the Treasury or his delegate for purposes of this paragraph.

(b) Subparagraphs (A)(i) and (B) of section 104(1)(2) of the Social Security Amendments of 1956 are repealed.

POLICEMEN AND FIREMEN IN IDAHO

SEC. 132. Section 218(p)(1) of the Social Security Act is amended by inserting "Idaho," after "Hawaii,".

COVERAGE OF CERTAIN HOSPITAL EMPLOYEES IN NEW MEXICO

SEC. 133. Notwithstanding any provisions of section 218 of the Social Security Act, the Agreement with the State of New Mexico heretofore entered into pursuant to such section may at the option of such State be modified at any time prior to the first day of the fourth month after the month in which this Act is enacted, so as to apply to the services of employees of a hospital which is an integral part of a political subdivision to which an agreement under this section has not been made applicable, as a separate coverage group within the meaning of section 218(b)(5) of such Act, but only if such hospital has prior to 1966 withdrawn from a retirement system which had been applicable to the employees of such hospital.

COVERAGE OF CERTAIN EMPLOYEES OF THE GOVERNMENT OF GUAM

SEC. 134. (a) Section 210(a)(7) of the Social Security Act is amended by striking out "or" at the end of subparagraph (C), by striking out the semicolon at the end of subparagraph (D) and inserting in lieu thereof ", or", and by adding at the end thereof the following subparagraph:

"(E) service performed in the employ of the Government of Guam (or any instrumentality which is wholly owned by such Government) by an employee properly classified as a temporary or intermittent employee, if such service is not covered by a retirement system established by a law of Guam; except that (i) the provisions of this subparagraph shall not be applicable to services performed by an elected official or a member of the legislature or in a hospital or penal institution by a patient or inmate thereof, and (ii) for purposes of this subparagraph, clauses (i) and (ii) of subparagraph (C) shall apply;".

(b) Section 3121(b)(7) of the Internal Revenue Code of 1954 is amended by striking out "or" at the end of subparagraph (B), by striking out the semicolon at the end of subparagraph (C) and inserting in lieu thereof ", or", and by adding at the end thereof the following new subparagraph:

"(D) service performed in the employ of the Government of Guam (or any instrumentality which is wholly owned by such Government) by an employee properly classified as a temporary or intermittent employee, if such service is not covered by a retirement system established by a law of Guam; except that (i) the provisions of this subparagraph shall not be applicable to services performed by an elected official or a member of the legislature or in a hospital or penal institution by a patient or inmate thereof, and (ii) for purposes of this subparagraph, clauses (i) and (ii) of subparagraph (B) shall apply;".

(c) The amendments made by this section shall apply with respect to service performed on and after the first day of the first calendar quarter which begins on or after the date of the enactment of this Act.

COVERAGE EXCLUSION OF STUDENTS EMPLOYED BY NONPROFIT ORGANIZATIONS AUXILIARY TO SCHOOLS, COLLEGES, AND UNIVERSITIES

SEC. 135. (a)(1) Section 210(a)(10)(B) of the Social Security Act is amended to read as follows:

"(B) service performed in the employ of—

"(i) a school, college, or university, or

"(ii) an organization described in section 509(a)(3) of the Internal Revenue Code of 1954 if the organization is organized, and at all times thereafter is operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of a school, college, or university and is operated, supervised, or controlled by or in connection with such school, college, or university, unless it is a school, college, or university of a State or a political subdivision thereof and the services in its employ performed by a student referred to in section 218(c)(5) are covered under the agreement between the Secretary of Health, Education, and Welfare and such State entered into pursuant to section 218;

if such service is performed by a student who is enrolled and regularly attending classes at such school, college, or university;".

(2) Section 3121(b)(10)(B) of the Internal Revenue Code of 1954 is amended to read as follows:

"(B) service performed in the employ of—

"(i) a school, college, or university, or

"(ii) an organization described in section 509(a)(3) if the organization is organized, and at all times thereafter is operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of a school, college, or university and is operated, supervised, or controlled by or in connection with such school, college, or university, unless it is a school, college, or university of a State or a political subdivision thereof and the services performed in its employ by a student referred to in section 218(c)(5) of the Social Security Act are covered under the agreement between the Secretary of Health, Education, and Welfare and such State entered into pursuant to section 218 of such Act;

if such service is performed by a student who is enrolled and regulary attending classes at such school, college, or university;".

(b) The amendments made by subsection (a) shall apply to services performed after December 31, 1971.

PENALTY FOR FURNISHING FALSE INFORMATION TO OBTAIN SOCIAL SECURITY ACCOUNT NUMBER

SEC. 136. (a) Section 208 of the Social Security Act is amended by adding "or" after the semicolon at the end of subsection (e), and by inserting after subsection (e) the following new subsection:

"(f) willfully, knowingly, and with intent to deceive the Secretary as to his true identity (or the true identity of any other person) furnishes or causes to be furnished false information to the Secretary with respect to any information required by the Secretary in connection with the establishment and maintenance of the records provided for in section 205(c)(2);".

(b) The amendments made by subsection (a) shall apply with respect to information furnished to the Secretary after the date of the enactment of this Act.

GUARANTEE OF NO DECREASE IN TOTAL FAMILY BENEFITS

SEC. 137. (a) Section 203(a) of the Social Security Act (as amended by sections 101(b), 102(a)(2), 103(b), and 110(d) of this Act) is further amended by striking out "or" at the end of paragraph (4), by striking out the period at the end of paragraph (5) and inserting in lieu thereof ", or", and by inserting after paragraph (5) the following new paragraph:

"(6) notwithstanding any other provision of law, when—

"(A) two or more persons are entitled to monthly benefits for a particular month on the basis of the wages and self-employment income of an insured individual and (for such particular month) the provisions of this subsection and section 202(q) are applicable to such monthly benefits, and

"(B) such individual's primary insurance amount is increased for the following month under any provision of this title,

then the total of monthly benefits for all persons on the basis of such wages and self-employment income for such particular month, as determined under the provisions of this subsection, shall for purposes of determining the total of monthly benefits for all persons on the basis of such wages and self-employment income for months subsequent to such particular month be considered to have been increased by the smallest amount that would have been required in order to assure that the total of monthly benefits payable on the basis of such wages and self-employment income for any such subsequent month will not be less (after application of the other provisions of this subsection and section 202(q)) than the total of monthly benefits (after the application of the other provisions of this subsection and section 202 (q)) payable on the basis of such wages and self-employment income for such particular month."

(b) In any case in which the provisions of section 1002(b)(2) of the Social Security Amendments of 1969 were applicable with respect to benefits for any month in 1970, the total of monthly benefits as determined under section 203(a) of the Social Security Act shall, for months after 1970, be increased to the amount that would be required in order to assure that the total of such monthly benefits (after the application of section 202(q) of such Act) will not be less than the total of monthly benefits that was applicable (after the application of such sections 203(a) and 202(q) for the first month for which the provisions of such section 1002(b)(2) applied.

INCREASE OF AMOUNTS IN TRUST FUNDS AVAILABLE TO PAY COSTS OF REHABILITATION SERVICES

SEC. 138. The first sentence of section 222(d)(1) of the Social Security Act (as amended by section 113(b)(4) of this Act) is further amended by striking out "except that the total amount so made available pursuant to this subsection in any fiscal year may not exceed 1 percent of the total of the benefits under section 202(d) for children who have attained age 18 and are under a disability" and inserting in lieu thereof the following: "except that the total amount so made available pursuant to this subsection may not exceed—

"(i) 1 percent in the fiscal year ending June 30, 1971,

"(ii) 1.25 percent in the fiscal year ending June 30, 1972,

"(iii) 1.5 percent in the fiscal year ending June 30, 1973, and thereafter,

of the total of the benefits under section 202(d) for children who have attained age 18 and are under a disability".

ACCEPTANCE OF MONEY GIFTS MADE UNCONDITIONALLY TO SOCIAL SECURITY

SEC. 139. (a) The second sentence of section 201(a) of the Social Security Act is amended by inserting after "in addition," the following: "such gifts and bequests as may be made as provided in subsection (i)(1), and".

(b) The second sentence of section 201(b) of such Act is amended by inserting after "consist of" the following: "such gifts and bequests as may be made as provided in subsection (i)(1), and".

(c) Section 201 of such Act is further amended by adding after subsection (h) the following new subsection:

"(i)(1) The Managing Trustee of the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, and the Federal Supplementary Medical Insurance Trust Fund is authorized to accept on behalf of the United States money gifts and bequests made unconditionally to any one or more of such Trust Funds or to the Department of Health, Education, and Welfare, or any part or officer thereof, for the benefit of any of such Funds or any activity financed through such Funds.

"(2) Any such gift accepted pursuant to the authority granted in paragraph (1) of this subsection shall be deposited in—

"(A) the specific trust fund designated by the donor, or

"(B) if the donor has not so designated, the Federal Old-Age and Survivors Insurance Trust Fund."

(d) The second sentence of section 1817(a) of such Act is amended by inserting after "consist of" and before "such amounts" the following: "such gifts and bequests as may be made as provided in section 201(i)(1), and".

(e) The second sentence of section 1841(a) of such Act is amended by inserting after "consist of" and before "such amounts" the following: "such gifts and bequests as may be made as provided in section 201(i)(1), and".

(f) The amendments made by this section shall apply with respect to gifts and bequests received after the date of enactment of this Act.

(g) For the purpose of Federal income, estate, and gift taxes, any gift or bequest to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, or the Federal Supplementary Medical Insurance Trust Fund, or to the Department of Health, Education, and Welfare, or any part or officer thereof, for the benefit of any of such Funds or any activity financed through any of such Funds, which is accepted by the Managing Trustee of such Trust Funds under the authority of section 201(i) of the Social Security Act, shall be considered as a gift or bequest to or for the use of the United States and as made for exclusively public purposes.

PAYMENT IN CERTAIN CASES OF DISABILITY INSURANCE BENEFITS WITH RESPECT TO CERTAIN PERIODS OF DISABILITY

SEC. 140. (a) If an individual would (upon the timely filing of an application for a disability determination under section 216(i) of the Social Security Act and of an application for disability insurance benefits under section 223 of such Act) have been entitled to disability insurance benefits under such section 223 for a period which began after 1959 and ended prior to 1964, such individual shall, upon filing application for disability insurance benefits under such section 223 with respect to such period not later than 6 months after the date of enactment of this section, be entitled, notwithstanding any other provision of title II of the Social Security Act, to receive in a lump sum, as disability insurance benefits payable under section 223, an amount equal to the total amounts of disability insurance benefits which would have been payable to him for such period if he had timely filed such an application for a disability determination and such an application for disability insurance benefits with respect to such period; but only if—

(1) prior to the date of enactment of this section and after the date of enactment of the Social Security Amendments of 1967, such period was determined (under section 216(i) of the Social Security Act) to be a period of disability as to such individual; and

(2) the application giving rise to the determination (under such section 216(i)) that such period is a period of disability as to such individual would not have been accepted as an application for such a determination except for the provisions of section 216(i)(2)(F).

(b) No payment shall be made to any individual by reason of the provisions of subsection (a) except upon the basis of an application filed after the date of enactment of this section.

RECOMPUTATION OF BENEFITS BASED ON COMBINED RAILROAD AND SOCIAL SECURITY EARNINGS

SEC. 141. (a) Section 215(f) of the Social Security Act is amended—

(1) by striking out subparagraph (B) of paragraph (2) and inserting in lieu thereof the following:

"(B) in the case of an individual who died in such year, for monthly benefits beginning with benefits for the month in which he died."; and

(2) by adding at the end the following new paragraph:

"(6) Upon the death after 1967 of an individual entitled to benefits under section 202(a) or section 223, if any person is entitled to monthly benefits or a lump-sum death payment, on the wages and self-employment income of such individual, the Secretary shall recompute the decedent's primary insurance amount, but only if the decendent during his lifetime was paid compensation which was treated under section 205(o) as remuneration for employment."

(b) Section 215(d)(2) of such Act is amended by inserting "or (6)" before the period at the end thereof.

CHANGES IN TAX SCHEDULES

SEC. 142. (a)(1) Section 1401(a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of old-age, survivors, and disability insurance) is amended—

(A) by striking out "and before January 1, 1973" in paragraph (3) and inserting in lieu thereof "and before January 1, 1972";

(B) by striking out "and" at the end of paragraph (3); and

(C) by striking out paragraph (4) and inserting in lieu thereof the following:

"(4) in the case of any taxable year be-

ginning after December 31, 1971, and before January 1, 1975, the tax shall be equal to 6.3 percent of the amount of the self-employment income for such taxable year; and

"(5) in the case of any taxable year beginning after December 31, 1974, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(a) of such Code (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended—

(a) by striking out "the calendar years 1971 and 1972" in paragraph (3) and inserting in lieu thereof "the calendar year 1971"; and

(B) by striking out paragraphs (4) and (5) and inserting in lieu thereof the following:

"(4) with respect to wages received during the calendar years 1972, 1973, and 1974, the rate shall be 4.2 percent;

"(5) with respect to wages received during the calendar years 1975 and 1976, the rate shall be 5.0 percent; and

"(6) with respect to wages received after December 31, 1976, the rate shall be 6.1 percent."

(3) Section 3111(a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended—

(A) by striking out "the calendar years 1971 and 1972" in paragraph (3) and inserting in lieu thereof "the calendar year 1971"; and

(B) by striking out paragraphs (4) and (5) and inserting in lieu thereof the following:

"(4) with respect to wages paid during the calendar years 1972, 1973, and 1974, the rate shall be 4.2 percent;

"(5) with respect to wages paid during the calendar years 1975 and 1976, the rate shall be 5.0 percent; and

"(6) with respect to wages paid after December 31, 1976, the rate shall be 6.1 percent."

(b)(1) Section 1401(b) of such Code (relating to rate of tax on self-employment income for purposes of hospital insurance) is amended—

(A) by striking out "and before January 1, 1973" in paragraph (1) and inserting in lieu thereof "and before January 1, 1972"; and

(B) by striking out paragraphs (2) through (5) and inserting in lieu thereof the following:

"(2) in the case of any taxable year beginning after December 31, 1971, and before January 1, 1977, the tax shall be equal to 1.2 percent of the amount of the self-employment income for such taxable year; and

"(3) in the case of any taxable year beginning after December 31, 1976, the tax shall be equal to 1.3 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended—

(A) by striking out "1971, and 1972" in paragraph (1) and inserting in lieu thereof "and 1971"; and

(B) by striking out paragraphs (2) through (5) and inserting in lieu thereof the following:

"(2) with respect to wages received during the calendar years 1972, 1973, 1974, 1975, and 1976, the rate shall be 1.2 percent; and

"(3) with respect to wages received after December 31, 1976, the rate shall be 1.3 percent."

(3) Section 3111(b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended—

(A) by striking out "1971, and 1972" in paragraph (1) and inserting in lieu thereof "and 1971"; and

(B) by striking out paragraphs (2) through (5) and inserting in lieu thereof the following:

"(2) with respect to wages paid during the calendar years 1972, 1973, 1974, 1975, and 1976, the rate shall be 1.2 percent; and

"(3) with respect to wages paid after December 31, 1976, the rate shall be 1.3 percent."

(c) The amendments made by subsections (a)(1) and (b)(1) shall apply only with respect to taxable years beginning after December 31, 1971. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1971.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

SEC. 143. (a) Section 201(b)(1) of the Social Security Act is amended—

(1) by striking out "and (D)" and inserting in lieu thereof "(D)", and

(2) by striking out "1969, and so reported" and inserting in lieu thereof "1969, and before January 1, 1972, and so reported, (E) 0.90 of 1 per centum of the wages (as so defined) paid after December 31, 1971, and before January 1, 1975, and so reported, (F) 1.05 per centum of the wages (as so defined) paid after December 31, 1974, and before January 1, 1977, and so reported, and (G) 1.25 per centum of the wages (as so defined) paid after December 31, 1976, and so reported,".

(b) Section 201(b)(2) of such Act is amended—

(1) by striking out "and (D)" and inserting in lieu thereof "(D)", and

(2) by striking out "beginning after December 31, 1969," and inserting in lieu thereof "beginning after December 31, 1969, and before January 1, 1972, (E) 0.675 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1971, and before January 1, 1975, and (F) 0.735 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1974,".

TITLE II—PROVISIONS RELATING TO MEDICARE, MEDICAID, AND MATERNAL AND CHILD HEALTH

PART A—ELIGIBILITY AND PAYMENT FOR BENEFITS

COVERAGE FOR DISABILITY BENEFICIARIES UNDER MEDICARE

SEC. 201. (a)(1)(A) The heading of title XVIII of the Social Security Act is amended to read as follows:

"TITLE XVIII—HEALTH INSURANCE FOR THE AGED AND DISABLED".

(B) The heading of part A of such title is amended to read as follows:

"PART A—HOSPITAL INSURANCE BENEFITS FOR THE AGED AND DISABLED".

(C) The heading of part B of such title is amended to read as follows:

"PART B—SUPPLEMENTARY MEDICAL INSURANCE BENEFITS FOR THE AGED AND DISABLED".

(2) The text of section 1811 of such Act is amended to read as follows:

"SEC. 1811. The insurance program for which entitlement is established by section 226 provides basic protection against the costs of hospital and related posthospital services in acordance with this part for (1) individuals who are age 65 or over and are entitled to retirement benefits under title II of this Act or under the railroad retirement system and (2) individuals under age 65 who have been entitled for not less than 24 months to benefits under title II of this Act or under the railroad retirement system on the basis of a disability."

(3) Section 1831 of such Act is amended—

(A) by inserting "AND THE DISABLED" after "AGED" in the heading, and

(B) by striking out "individuals 65 years of age or over" and inserting in lieu thereof "aged and disabled individuals".

(b)(1) Section 226(a) of such Act is amended to read as follows:

"(a)(1) Every individual who—

"(A) has attained age 65, and

"(B) is entitled to monthly insurance benefits under section 202 or is a qualified railroad retirement beneficiary,

shall be entitled to hospital insurance benefits under part A of title XVII for each month for which he meets the condition specified in subparagraph (B), beginning with the first month after June 1966 for which he meets the conditions specified in subparagraphs (A) and (B).

"(2) Every individual who—

"(A) has not attained age 65, but

"(B)(i) has been entitled to disability insurance benefits under section 223 for not less than 24 consecutive months, or (ii) has been entitled for not less than 24 consecutive months to child's insurance benefits under section 202(d) by reason of a disability (as defined in section 223(d)) which began before he attained age 22, or (iii) has been entitled for not less than 24 consecutive months to widow's insurance benefits under section 202(e) or widower's insurance benefits under section 202(f) by reason of a disability (as defined in section 223(d)), or (iv) has been for not less than 24 consecutive months a disabled qualified railroad retirement beneficiary, within the meaning of section 22 of the Railroad Retirement Act of 1937,

shall be entitled to hospital insurance benefits under part A of title XVIII for each month beginning with the later of (I) July 1972 or (II) the twenty-fifth consecutive month of his entitlement described in subparagraph (B), and ending with the month in which his entitlement described in subparagraph (B) ceases or, if earlier, with the month before the month in which he attains age 65."

(2) Section 226(b) of such Act is amended by striking out "occurred after June 30, 1966, or on or after the first day of the month in which he attains age 65 (whichever is later" and inserting in lieu thereof "occurred (i) after June 30, 1966, or on or after the first day of the month in which he attains age 65, whichever is later, or (ii) if he was entitled to hospital insurance benefits pursuant to paragraph (2) of subsection (a), at a time when he was so entitled".

(3) Section 226(b)(2) of such Act is amended by striking out "an individual shall be deemed entitled to monthly insurance benefits under section 202," and inserting in lieu thereof "an individual shall be deemed entitled to monthly insurance benefits under section 202 or section 223,".

(4) Section 226(c) of such Act is amended by inserting "or section 22" after "section 21" wherever it appears.

(5) Section 226 of such Act is further amended by redesignating subsection (d) as subsection (e), and by inserting after subsection (c) the following new subsection:

"(d)(1) For purposes of determining entitlement to hospital insurance benefits under subsection (a)(2) in the case of widows and widowers described in subparagraph (B)(iii) thereof—

"(A) the term 'age 60' in sections 202(e)(1)(B)(ii), 202(e)(5), 202(f)(1)(B)(ii), and 202(f)(6) shall be deemed to read 'age 65'; and

"(B) the phrase 'before she attained age 60' in the matter following subparagraph (F) of section 202(e)(1) shall be deemed to read 'based on a disability'.

"(2) For purposes of determining entitlement to hospital insurance benefits under subsection (a)(2) in the case of an individual under age 65 who is entitled to told-age insurance benefits, and who was entitled to widow's insurance benefits or widower's in-

surance benefits based on disability for the month before the first month in which such individual was so entitled to old-age insurance benefits (but ceased to be entitled to such widow's or widower's insurance benefits upon becoming entitled to such old-age insurance benefits), such individual shall be deemed to have continued to be entitled to such widow's insurance benefits or widower's insurance benefits for and after such first month."

(c)(1) Section 1836 of such Act is amended to read as follows:

"ELIGIBLE INDIVIDUALS

"SEC. 1836. Every individual who—

"(1) is entitled to hospital insurance benefits under part A, or

"(2) has attained age 65 and is a resident of the United States, and is either (A) a citizen or (B) an alien lawfully admitted for permanent residence who has resided in the United States continuously during the 5 years immediately preceding the month in which he applies for enrollment under this part,

is eligible to enroll in the insurance program established by this part."

(2)(A) The first sentence of section 1837 (c) of such Act is amended by striking out "paragraphs (1) and (2)" and inserting in lieu there of "paragraph (1) or (2)".

(B) The second sentence of section 1837(c) of such Act is amended to read as follows: "For purposes of this subsection and subsection (d), an individual who has attained age 65 and who satisfies paragraph (1) of section 1836 but not paragraph (2) of such section shall be treated as satisfying such paragraph (1) on the first day on which he is (or on filing application would have been) entitled to hospital insurance benefits under part A."

(C) The first sentence of 1837(d) of such Act is amended by striking out "paragraphs (1) and (2)" and inserting in lieu thereof "paragraph (1) or (2)".

(3)(A) Section 1838a of such Act is amended by striking out "July 1, 1966" in paragraph (1) and inserting in lieu thereof "July 1, 1966 or (in the case of a disabled individual who has not attained age 65) July 1, 1972".

(B) Section 1838(a) of such Act is further amended—

(i) by striking out "paragraphs (1) and (2)" in paragraph (2)(A) and inserting in lieu thereof "paragraph (1) or (2)"; and

(ii) by striking out "such paragraphs" in subparagraph (B), (C), and (D) and inserting in lieu thereof "such paragraph":

(C) Section 1838 of such Act is further amended by redesignating subsection (c) as subsection (d), and by inserting after subsection (b) the following new subsection:

"(c) In the case of an individual satisfying paragraph (1) of section 1836 whose entitlement to hospital insurance benefits under part A is based on a disability rather than on his having attained the age of 65, his coverage period (and his enrollment under this part) shall be terminated as of the close of the last month for which he is entitled to hospital insurance benefits."

(4) Section 1839(c) of such Act is amended—

(A) by inserting "(in the same continuous period of eligibility)" after "for each full 12 months"; and

(B) by adding at the end thereof the following new sentence: "Any increase in an individual's monthly premium under the first sentence of this subsection with respect to a particular continuous period of eligibility shall not be applicable with respect to any other continuous period of eligibility which such individual may have."

(5) Section 1839 of such Act is further amended by adding at the end thereof the following new subsection:

"(e) For purposes of subsection (c) (and section 1837 (g)(1)), an individual's 'continuous period of eligibility' is the period beginning with the first day on which he is eligible to enroll under section 1836 and ending with his death; except that any period during all of which an individual satisfied paragraph (1) of section 1836 and which terminated in or before the month preceding the month in which he attained age 65 shall be a separate 'continuous period of eligibility' with respect to such individual (and each such period which terminates shall be deemed not to have existed for purposes of subsequently applying this section)."

(6)(A) Section 1840(a)(1) of such Act is amended by striking out "section 202" and inserting in lieu thereof "section 202 or 223"

(B) Section 1840(a)(2) of such Act is amended by striking out "section 202" and inserting in lieu thereof "section 202 or 223".

(7) Section 1875(a) of such Act is amended by striking out "aged" and inserting in lieu thereof "aged and the disabled".

(d) The Railroad Retirement Act of 1937 is amended by adding after section 21 the following new section:

"HOSPITAL INSURANCE BENEFITS FOR THE DISABLED

"SEC. 22. Individuals under age 65—

"(1) who have been entitled to annuities for not less that 24 consecutive months during each of which the first proviso of section 3(e) could have applied on the basis of an application which has been filed under paragraph 4 or 5 of section 2(a), and are currently entitled to such annuities, or who are entitled to annuities under paragraph 2 or 3 of section 2(a) and could have been paid annuities for not less than 24 consecutive months under section 223 of the Social Security Act if their service as employees were included in the term 'employment' as defined in that Act, or

"(2) who have been entitled to annuities under section 5(a) on the basis of disability, or could have been so entitled had they not been entitled on the basis of age or had they not been entitled under section 5(b) on the basis of having the custody of children, for not less than 24 consecutive months during each of which the first proviso of section 3(e) could have been applied on the basis of disability if an application for disability benefits had been filed, or

"(3) who have been entitled to annuities for not less than 24 consecutive months under section 5(c) on the basis of a disability (within the meaning of section 5(1)(1)(ii)) or who could have been includible as disabled children for not less than 24 consecutive months in the computation of an annuity under the first proviso in section 3(e) and could currently be includible in such a computation, shall be certified by the Board in the same manner, for the same purposes, and subject to the same conditions, restrictions, and other provisions as individuals specifically described in section 21, and also subject to the same conditions, restrictions, and other provisions as are disability beneficiaries under title II of the Social Security Act in connection with their eligibility for hospital insurance benefits under part A of title XVIII of such Act and their eligibility to enroll under part B of such title XVIII; and for the purposes of this Act and title XVIII of the Social Security Act, individuals certified as provided in this section shall be considered individuals described in and certified under such section 21. Notwithstanding the other provisions of this section it shall not apply to any individual who could not be taken into account on the basis of disability in calculating the annuity under the first proviso of section 3(e) without regard to the second paragraph of such section."

HOSPITAL INSURANCE BENEFITS FOR UNINSURED INDIVIDUALS NOT ELIGIBLE UNDER TRANSITIONAL PROVISION

SEC. 202. Title XVIII of the Social Security Act is amended by adding after section 1817 the following new section:

"HOSPITAL INSURANCE BENEFITS FOR UNINSURED INDIVIDUALS NOT OTHERWISE ELIGIBLE

"SEC. 1818. (a) Every individual who—

"(1) has attained the age of 65,

"(2) is a resident of the United States, and is either (A) a citizen or (B) an alien lawfully admitted for permanent residence who has resided in the United States continuously during the 5 years immediately preceding the month in which he applies for enrollment under this section, and

"(3) is not otherwise entitled to benefits under this part,

shall be eligible to enroll in the insurance program established by this part.

"(b) An individual may enroll under this section only in such manner and form as may be prescribed in regulations, and only during an enrollment period prescribed in or under this section.

"(c) The provisions of section 1837, section 1838, subsection (c) of section 1839, and subsections (f) and (h) of section 1840 shall apply to persons authorized to enroll under this section except that—

"(1) individuals who meet the conditions of subsection (a) on or before the last day of the seventh month after the month in which this section is enatced may enroll during an initial general enrollment period which shall begin on the first day of the second month which begins after the date on which this section is enacted and shall end on the last day of the tenth month after the month in which this Act is enacted;

"(2) in the case of an individual who first meets the conditions of eligibility under this section on or after the first day of the eighth month after the month in which this section is enacted, the initial enrollment period shall begin on the first day of the third month before the month in which he first becomes eligible and shall end 7 months later;

"(3) in the case of an individual who enrolls pursuant to paragraph (1) of this subsection, entitlement to benefits shall begin on—

"(A) the first day of the second month after the month in which he enrolls,

"(B) January 1, 1972, or

"(C) the first day of the first month in which he meets the requirements of subsection (a), whichever is the latest;

"(4) termination of coverage under this section by the filing of notice that the individual no longer wishes to participate in the hospital insurance program shall take effect at the close of the month following the month in which such notice is filed; and

"(5) an individual's entitlement under this section shall terminate with the month before the first month in which he becomes eligible for hospital insurance benefits under section 226 of this Act or section 103 of the Social Security Amendments of 1965; and upon such termination, such individual shall be deemed, solely for purposes of hospital insurance entitlement, to have filed in such first month the application required to establish such entitlement.

"(d)(1) The monthly premium of each individual for each month in his coverage period before July 1972 shall be $31.

"(2) The Secretary shall, during December of 1971 and of each year thereafter, determine and promulgate the dollar amount (whether or not such dollar amount was applicable for premiums for any prior month) which shall be applicable for premiums for months occurring in the 12-month period commencing July 1 of the next year. Such

amount shall be equal to $31, multiplied by the ratio of (A) the inpatient hospital deductible for such next year, as promulgated under section 1813(b)(2), to (B) such deductible promulgated for 1971. Any amount determined under the preceding sentence which is not a multiple of $1 shall be rounded to the nearest multiple of $1.

"(e) Payment of the monthly premiums on behalf of any individual who meets the conditions of subsection (a) may be made by any public or private agency or organization under a contract or other arrangement entered into between it and the Secretary if the Secretary determines that payment of such premiums under such contract or arrangement is administratively feasible.

"(f) Amounts paid to the Secretary for coverage under this section shall be deposited in the Treasury to the credit of the Federal Hospital Insurance Trust Fund."

AMOUNT OF SUPPLEMENTARY MEDICAL INSURANCE PREMIUM

SEC. 203. (a) Section 1839(b)(1) of the Social Security Act is amended by inserting "and before July 1, 1972," after "1967".

(b) Section 1839(b)(2) of such Act is amended by striking out "thereafter" and inserting in lieu thereof "ending on or before December 31, 1970".

(c) Section 1839 of such Act (as amended by section 201(c) (4) and (5) of this Act) is further amended by redesignating subsections (c), (d), and (e) as subsections (d), (e), and (f), respectively, and by inserting after subsection (b) the following new subsection:

"(c)(1) The Secretary shall, during December of 1971 and of each year thereafter, determine the monthly actuarial rate for enrollees age 65 and over which shall be applicable for the 12-month period commencing July 1 in the succeeding year. Such actuarial rate shall be the amount the Secretary estimates to be necessary so that the aggregate amount for such 12-month period with respect to those enrollees age 65 and over will equal one-half of the total of the benefits and administrative costs which he estimates will be payable from the Federal Supplementary Medical Insurance Trust Fund for services performed and related administrative costs incurred in such 12-month period. In calculating the monthly actuarial rate, the Secretary shall include an appropriate amount for a contingency margin.

"(2) The monthly premium of each individual enrolled under this part for each month after June 1972 shall be the amount determined under paragraph (3).

"(3) The Secretary shall, during December of 1971 and of each year thereafter, determine and promulgate the monthly premium applicable for the individuals enrolled under this part for the 12-month period commencing July 1 in the suceeding year. The monthly premium shall be equal to the smaller of—

"(A) the monthly actuarial rate for enrollees age 65 and over, determined according to paragraph (1) of this subsection, for that 12-month period, or

"(B) the monthly premium rate most recently promulgated by the Secretary under this paragraph multiplied by the ratio of (i) the amount in column IV of the table which as of June 1 next following such determination appears (or is deemed to appear) in section 215(a) on the line which includes the figure '750' in column III of such table to (ii) the amount in column IV of the table which appeared (or was deemed to appear) in section 215(a) on the line which included the figure '750' in column III as of June 1 of the year in which such determination is made.

Whenever the Secretary promulgates the dollar amount which shall be applicable as the monthly premium for any period, he shall, at the time such promulgation is announced, issue a public statement setting forth the actuarial assumptions and bases employed by him in arriving at the amount of an adequate actuarial rate for enrollees age 65 and over as provided in subparagraph (A) and the derivation of the dollar amounts specified in paragraph (3).

"(4) The Secretary shall also, during December of 1971 and of each year thereafter, determine the monthly actuarial rate for disabled enrollees under age 65 which shall be applicable for the 12-month period commencing July 1 in the succeeding year. Such actuarial rate shall be the amount the Secretary estimates to be necessary so that the aggregate amount for such 12-month period with respect to disabled enrollees under age 65 will equal one-half of the total of the benefits and administrative costs which he estimates will be incurred by the Federal Supplementary Medical Insurance Trust Fund for such 12-month period with respect to such enrollees. In calculating the monthly actuarial rate under this paragraph, the Secretary shall include an appropriate amount for a contingency margin."

(d) (1) Section 1839(d) of such Act, as redesignated by subsection (c) of this section, is amended by inserting "or (c)" after "subsection (b)".

(2) Section 1839(f) of such Act, as redesignated by subsection (c) of this section, is amended by striking out "subsection (c)" and inserting in lieu thereof "subsection (d)".

(e) Effective with respect to months after June 1972, section 1844(a)(1) of such Act is amended to read as follows:

"(1)(A) a Government contribution equal to the aggregate premiums payable for enrollees age 65 and over under this part and deposited in the Trust Fund, multiplied by the ratio of—

"(i) twice the dollar amount of an actuarially adequate rate per enrollee age 65 and over as determined under section 1839(c)(1) for the month in which such aggregate premiums are deposited in the Trust Fund, minus the dollar amount of the premium per enrollee for such month, to

(ii) the dollar amount of the premium per enrollee for such month, plus

"(B) a Government contribution equal to the aggregate premiums payable for enrollees under age 65 under this part and deposited in the Trust Fund, multiplied by the ratio of—

"(i) twice the dollar amount of an actuarially adequate rate per enrollee under age 65 as determined under section 1839(c)(4) for the month in which such aggregate premiums are deposited in the Trust Fund, minus the dollar amount of the premium per enrollee for such month, to

"(ii) the dollar amount of the premium per enrollee for such month."

CHANGE IN SUPPLEMENTARY MEDICAL INSURANCE DEDUCTIBLE

SEC. 204. (a) Section 1833(b) of the Social Security Act is amended by striking out "shall be reduced by a deductible of $50" and inserting in lieu thereof "shall be reduced by a deductible of $60".

(b) Section 1835(c) of such Act is amended by striking out "but only if such charges for such services do not exceed $50" and inserting in lieu thereof "but only if such charges for such services do not exceed the applicable supplementary medical insurance deductible".

(c) The amendments made by this section shall be effective with respect to calendar years after 1971 (except that, for purposes of applying clause (1) of the first sentence of section 1833(b) of the Social Security Act, such amendments shall be deemed to have taken effect on January 1, 1971).

INCREASE IN LIFETIME RESERVE DAYS AND CHANGE IN HOSPITAL INSURANCE COINSURANCE AMOUNT UNDER MEDICARE

SEC. 205. (a)(1) Section 1812(a)(1) of the Social Security Act is amended by striking out "up to 150 days" and inserting in lieu thereof "up to 210 days".

(2) Section 1812(b)(1) of such Act is amended by striking out "for 150 days" and inserting in lieu thereof "for 210 days".

(b) Section 1813(a)(1) of such Act is amended—

(1) by redesignating subparagraphs (A) and (B) as subparagraphs (B) and (C), respectively; and

(2) by inserting after "a coinsurance amount equal to—" the following new subparagraph:

"(A) one-eighth of the inpatient hospital deductible for each day (before the 61st day) on which such individual is furnished such services during such spell of illness after such services have been furnished to him for 30 days during such spell;".

(c) The amendments made by this section shall be effective with respect to inpatient hospital services furnished during inpatient hospital stays beginning after December 31, 1971.

AUTOMATIC ENROLLMENT FOR SUPPLEMENTARY MEDICAL INSURANCE

SEC. 206. (a) Section 1837 of the Social Security Act is amended by adding at the end thereof the following new subsections:

"(f) Any individual—

"(1) who is eligible under section 1836 to enroll in the medical insurance program by reason of entitlement to hospital insurance benefits as described in paragraph (1) of such section, and

"(2) whose initial enrollment period under subsection (d) begins on or after the first day of the second month following the month in which this subsection is enacted, or October 1, 1971, whichever is later,

shall be deemed to have enrolled in the medical insurance program established by this part.

"(g) All of the provisions of this section shall apply to individuals satisfying subsection (f), except that—

"(1) in the case of an individual who satisfies subsection (f) by reason of entitlement to disability insurance benefits described in section 226(a)(2)(B), his initial enrollment period shall begin on the first day of the later of (A) April 1972 or (B) the third month before the 25th consecutive month of such entitlement, and shall reoccur with each continuous period of eligibility (as defined in section 1839(e)) and upon attainment of age 65;

"(2)(A) in the case of an individual who is entitled to monthly benefits under section 202 or 223 on the first day of his initial enrollment period or becomes entitled to monthly benefits under section 202 during the first 3 months of such period, his enrollment shall be deemed to have occurred in the third month of his initial enrollment period, and

"(B) in the case of an individual who is not entitled to benefits under section 202 on the first day of his initial enrollment period and does not become so entitled during the first 3 months of such period, his enrollment shall be deemed to have occurred in the month in which he files the application establishing his entitlement to hospital insurance benefits provided such filing occurs during the last 4 months of his initial enrollment period; and

"(3) in the case of an individual who would otherwise satisfy subsection (f) but does not establish his entitlement to hospital insurance benefits until after the last day of his initial enrollment period (as defined in subsection (d) of this section), his enrollment shall be deemed to have occurred on the first day of the earlier of the current or immediately succeeding general enrollment period (as defined in subsection (e) of this section)."

(b) Section 1838(a) of such Act is amended—

(1) by striking out the period at the end of subsection (a) and by inserting in lieu thereof "; or"; and

(2) by adding at the end of subsection (a) the following new paragraph:

"(3)(A) in the case of an individual who is deemed to have enrolled on or before the last day of the third month of his initial enrollment period, the first day of the month in which he first meets the applicable requirements of section 1836 or January 1, 1972, whichever is later, or

"(B) in the case of an individual who is deemed to have enrolled on or after the first day of the fourth month of his initial enrollment period, as prescribed under subparagraphs (B), (C), (D), and (E) of paragraph (2) of this subsection."

(c) Section 1838(b) of such Act (as amended by section 257(a) of this Act) is further amended by adding at the end thereof the following new paragraph:

"Where an individual who is deemed to have enrolled for medical insurance pursuant to section 1837(f) files a notice before the first day of the month in which his coverage period begins advising that he does not wish to be so enrolled, the termination of the coverage period resulting from such deemed enrollment shall take effect with the first day of the month the coverage would have been effective and such notice shall not be considered a disenrollment for the purposes of section 1837(b). Where an individual who is deemed enrolled for medical insurance benefits pursuant to section 1837(f) files a notice requesting termination of his deemed coverage in or after the month in which such coverage becomes effective, the termination of such coverage shall take effect at the close of the calendar quarter following the calendar quarter in which the notice is filed."

ESTABLISHMENT OF INCENTIVES FOR STATES TO EMPHASIZE COMPREHENSIVE HEALTH CARE UNDER MEDICAID

SEC. 207. (a)(1) Section 1903 of the Social Security Act is amended by adding at the end thereof the following new subsections:

"(g) The amount determined under subsection (a)(1) for any State shall be adjusted as follows:

"(1) with respect to amounts paid for services furnished under the State plan after June 30, 1971, pursuant to a contract with (A) a health maintenance organization as defined in section 1876, or (B) a community health center or other similar facility providing comprehensive health care, the Federal medical assistance percentage shall be increased by 25 per centum thereof, except that the Federal medical assistance percentage as so increased may not exceed 95 per centum, and except that such percentage shall be so increased only if such contract provides that payments for services provided under the contract will not exceed the payment levels for similar services provided in the same geographical area and rendered under the plan approved under section 1902; and

"(2) with respect to amounts paid for the following services furnished under the State plan after June 30, 1971 (other than services furnished pursuant to a contract with a health maintenance organization as defined in section 1876), the Federal medical assistance percentage shall be decreased as follows:

"(A) after an individual has received inpatient hospital services (including services furnished in an institution for tuberculosis) for sixty days (whether or not such days are consecutive) during any fiscal year (which for purposes of this section means the four calendar quarters ending with June 30), the Federal medical assistance percentage with respect to amounts paid for any such services furnished thereafter to such individual in the same fiscal year shall be decreased by 33⅓ per centum thereof;

"(B) after an individual has received care as an inpatient in a skilled nursing home on sixty days (whether or not such days are consecutive) during any fiscal year, the Federal medical assistance percentage with respect to amounts paid for any such care furnished thereafter to such individual in the same fiscal year shall be decreased by 33⅓ per centum thereof unless the State agency responsible for the administration of the plan makes a showing satisfactory to the Secretary that, with respect to each calendar quarter for which the State submits a request for payment at the the full Federal medical assistance percentage for amounts paid for skilled nursing home services furnished beyond sixty days, there is in operation in the State an effective program of control over utilization of skilled nursing home services; such a showing must include evidence that—

"(i) in each case for which payment is made under the State plan, a physician certifies at the time of admission, or, if later, the time the individual applies for medical assistance under the State plan (and recertifies, where such services are furnished over a period of time, in such cases, at least every sixty days, and accompanied by such supporting material, appropriate to the case involved, as may be provided in regulations of the Secretary), that such services are or were required to be given on an inpatient basis because the individual needs or needed such services; and

"(ii) in each such case, such services were furnished under a plan established and periodically reviewed and evaluated by a physician;

"(iii) such State has in effect a continuous program of review of utilization pursuant to section 1902(a)(30) whereby the necessity for admission and the continued stay of each patient in a skilled nursing home is periodically reviewed and evaluated (with such frequency as may be prescribed in regulations of the Secretary) by medical and other professional personnel who are not themselves directly responsible for the care of the patient and who are not employed by or financially interested in any skilled nursing home; and

"(iv) such State has an effective program of medical review of the care of patients in skilled nursing homes pursuant to section 1902(a)(26) whereby the medical management of each case is reviewed and evaluated at least annually by independent medical review teams;

"(C) after an individual has received inpatient services in a hospital for mental diseases on ninety days (whether or not such days are consecutive), occurring after June 30, 1971, and on up to an additional thirty days if the State agency responsible for the administration of the plan demonstrates to the satisfaction of the Secretary that the individual is continuing to receive active treatment in such hospital and that the prognosis with respect to such individual is one of continued therapeutic improvement, the Federal medical assistance percentage with respect to amounts paid for any such services furnished to such individual shall be decreased by 33⅓ per centum thereof and no payment may be made under this title for any such services furnished to such individual after such services have been furnished to him for three hundred and sixty-five days.

In determining the number of days on which an individual has received services described in this subsection, there shall not be counted any days with respect to which such individual is entitled to have payments made (in whole or in part) on his behalf under section 1812.

"(h)(1) If the Secretary determines for any calendar quarter beginning after December 31, 1971, with respect to any State that there does not exist a reasonable cost differential between the cost of skilled nursing home services and the cost of intermediate care facility services in such State, the Secretary may reduce the amount which would otherwise be considered as expenditures under the State plan by an amount which in his judgment is a reasonable equivalent of the difference between the amount of the expenditures by such State for intermediate care facility services and the amount that would have been expended by such State for such services if there had been a reasonable cost differential between the cost of skilled nursing home services and the cost of intermediate care facility services.

"(2) In determining whether any such cost differential in any State is reasonable the Secretary shall take into consideration the range of such cost differentials in all States.

"(3) For the purposes of this subsection, the term 'cost differential' for any State for any quarter means, as determined by the Secretary on the basis of the data for the most recent calendar quarter for which satisfactory data are available, the excess of—

"(A) the average amount paid in such State (regardless of the source of payment) per inpatient day for skilled nursing home services, over

"(B) the average amount paid in such State (regardless of the source of payment) per inpatient day for intermediate care facility services."

(2) Section 1903(a)(1) of such Act is amended by inserting ", subject to subsections (g) and (h) of this section" after "section 1905(b)".

(b) The amendments made by subsection (a) shall, except as otherwise provided therein, be effective July 1, 1971.

COST-SHARING UNDER MEDICAID

SEC. 208. (a) Section 1902(a)(14) of the Social Security Act is amended to read as follows:

"(14) effective January 1, 1972, provide that—

"(A) in the case of individuals receiving aid or assistance under a State plan approved under title I, X, XIV, or XVI, or part A of title IV, or who meet the income and resources requirements of the one of such State plans which is appropriate—

"(i) no enrollment fee, premium, or similar charge, and no deduction, cost sharing, or similar charge with respect to the care and services listed in clauses (1) through (5) and (7) of section 1905(a), will be imposed under the plan, and

"(ii) any deduction, cost sharing, or similar charge imposed under the plan with respect to other care and services will be nominal in amount (as determined in accordance with standards approved by the Secretary and included in the plan), and

"(B) with respect to individuals who are not receiving aid or assistance under any such State plan and who do not meet the income and resources requirements of the one of such State plans which is appropriate—

"(i) there shall be imposed an enrollment fee, premium, or similar charge which (as determined in accordance with standards prescribed by the Secretary) is related to the individual's income, and

"(ii) no other enrollment fee or premium will be imposed under the plan;".

(b) The amendment made by subsection (a) shall be effective January 1, 1972 (or earlier if the State plan so provides).

DETERMINATION OF PAYMENTS UNDER MEDICAID

SEC. 209. (a) Section 1902(a)(10) of the Social Security Act is amended by striking out everything which precedes "except that" immediately following subparagraph (B) and inserting in lieu thereof the following:

"(10) effective July 1, 1972, provide, subject to paragraph (14) of this subsection and to subsection (e) of this section, and in accordance wth the provisions of section 1903(f)—

"(A) for making medical assistance available (in equal amount, duration, and scope) to all individuals who are receiving assistance to needy families with children as defined in section 406(b) or receiving assistance for the aged, blind, and disabled under title XX, or with respect to whom payments for foster care are made in accordance with section 406;

"(B) if the standard for medical assistance established under the State plan is more than 100 percent (but less than 133⅓ percent) of the combined amount specified in clauses (A) and (B) of paragraph (2) of section 1903(f), provide—

"(i) for making medical or remedial care and services available to—

"(I) individuals who are aged, blind, or disabled as defined in title XX, and families (as defined in title XXI), not receiving assistance under title XX or XXI, and

"(II) children who are members of families (other than needy families with children as defined in section 405(b)) receiving assistance under title XXI,

in cases where the income of the individual or the income of all the members of the family is (after deducting such individual's or such family's incurred medical expenses as defined in section 213 of the Internal Revenue Code of 1954) less than such standard, and

"(ii) that the medical or remedial care and services made available to all such individuals and families shall be equal in amount, duration, and scope, and shall not be more than the medical assistance made available to individuals described in subparagraph (A); and

"(C) if medical or remedial care or services are included for any group of individuals who are not included in subparagraphs (A) and (B), provide—

"(i) for making medical or remedial care and services available to all such individuals who would, if needy, be eligible for assistance under title XX or XXI and who have insufficient income and resources to meet the costs of necessary medical or remedial care and services, and

"(ii) that the medical or remedial care and services made available to all such individuals shall be equal in amount, duration, and scope, and shall not be more than the medical assistance made available to individuals described in subparagraph (A);".

(b)(1) Section 1906(a)(14) of such Act (as amended by section 208(a) of this Act) is amended by striking out "provide that" in the matter preceding subparagraph (A) and inserting in lieu thereof "provide, subject to section 1903(f), that".

(2) Section 1902(a)(17) of such Act is amended—

(A) by striking out "and (in the case of any applicant" and all that follows in clause (B) and inserting in lieu thereof a comma, and

(B) by striking out "provide for flexibility" and inserting in lieu thereof "provide, in the case of individuals to whom section 1903(f) does not apply, for flexibility".

(c) Section 1903(f) of such Act is amended to read as follows:

"(f)(1) Payment under the preceding provisions of this section shall not be made for amounts expended as medical assistance in any calendar quarter in any State—

"(A) for any individual who is aged, blind, or disabled, as defined in title XX, and who is not receiving assistance under such title, or

"(B) for any member of a family as defined in title XXI (whether or not such family is receiving assistance under such title),

unless the income of any such individual or the income of all the members of any such family (after deducting such individual's or such family's incurred expenses for medical care as defined in section 216 of the Internal Revenue Code of 1954) is not in excess of the standard for medical assistance established under the State plan in accordance with the provisions of this subsection.

"(2) Such standard for medical assistance shall not be less than (nor more than 133⅓ percent of) (A) the highest amount that would be payable under title XXI to an eligible family of the same size without any income or resources, plus (B) the amount of the supplementary payment, if any, made by such State in accordance with section 2156 to such an eligible family.

"(3) In determining the income of any individual who is aged, blind, or disabled as defined in title XX, there shall be excluded (A) the first $1,020 per year of such individual's earned income (or proportionately smaller amounts for shorter periods) if he is an individual described in subparagraph (A) or (B) of section 2012(b)(3) or the first $720 of such individual's earned income (or proportionately smaller amounts for shorter periods) if he is an individual described in subparagraph (C) of such section, and (B) any amounts that would be excluded under section 2012(b) other than under paragraphs (3) and (4) thereof.

"(4) In determining the income of any family as defined in title XXI, there shall be excluded (A) the first $720 per year of earned income (or proportionately smaller amounts for shorter periods) of all members of the family, and (B) any amounts that would be excluded under section 2153(b) other than under paragraphs (4) and (5) thereof."

(d) Section 1902 of such Act is amended by adding at the end thereof the following new subsection:

"(e) Notwithstanding any other provision of this title, no State shall be required to provide medical assistance to any individual or any member of a family for any month unless such State would be (or would have been) required to provide medical assistance to such individual or family member for such month had its plan for medical assistance approved under this title and in effect on January 1, 1971, been in effect in such month, except that for this purpose any such individual or family member shall be deemed eligible for medical assistance under such State plan if (in addition to meeting such other requirements as are or may be imposed under the State plan) the income of any such individual or the income of all of the members of any such family as determined in accordance with section 1903(f) (after deducting such individual's or such family's incurred expenses for medical care as defined in section 213 of the Internal Revenue Code of 1954) is not in excess of the standard for medical assistance established under the State plan as in effect on January 1, 1971."

(e) The amendments made by this section shall become effective on July 1, 1972.

PAYMENT UNDER MEDICARE TO INDIVIDUALS COVERED BY FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

SEC. 210. Section 1862 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(c) No payment may be made under this title with respect to any item or service furnished to or on behalf of any individual on or after January 1, 1975, if such item or service is covered under a health benefits plan in which such individual is enrolled under chapter 89 of title 5, United States Code, unless prior to the date on which such item or service is so furnished the Secretary shall have determined and certified that such plan or the Federal employees health benefits program under chapter 89 of such title 5 has been modified so as to assure that—

"(1) there is available to each Federal employee or annuitant enrolled in such plan, upon or after attaining age 65, in addition to the health benefits plans available before he attains such age, one or more health benefits plans which offer protection supplementing the combined protection provided under parts A and B of this title and one or more health benefits plans which offer protection supplementing the protection provided under part B of this title alone, and

"(2) the Government or such plan will make available to such Federal employee or annuitant a contribution in an amount at least equal to the contribution which the Government makes toward the health insurance of any employee or annuitant enrolled for high option coverage under the Government-wide plans established under chapter 89 of such title 5, with such contribution being in the form of (A) a contribution toward the supplementary protection referred to in paragraph (1), (B) a payment to or on behalf of such employee or annuitant to offset the cost to him of coverage under parts A and B (or part B alone) of this title, or (C) a combination of such contribution and such payment."

PAYMENT UNDER MEDICARE FOR CERTAIN INPATIENT HOSPITAL AND RELATED PHYSICIANS' SERVICES FURNISHED OUTSIDE THE UNITED STATES

SEC. 211. (a) Section 1814(f) of the Social Security Act is amended to read as follows:

"Payment for Certain Inpatient Hospital Services Furnished Outside the United States

"(f)(1) Payment shall be made for inpatient hospital services furnished to an individual entitled to hospital insurance benefits under section 226 by a hospital located outside the United States, or under arrangements (as defined in section 1861(w)) with it, if—

"(A) such individual is a resident of the United States, and

"(B) such hospital was closer to, or substantially more accessible from, the residence of such individual than the nearest hospital within the United States which was adequately equipped to deal with, and was available for the treatment of, such individual's illness or injury.

"(2) Payment may also be made for emergency inpatient hospital services furnished to an individual entitled to hospital insurance benefits under section 226 by a hospital located outside the United States if—

"(A) such individual was physically present in a place within the United States at the time the emergency which necessitated such inpatient hospital services occurred, and

"(B) such hospital was closer to, or substantially more accessible from, such place than the nearest hospital within the United States which was adequately equipped to deal with, and was available for the treatment of, such individual's illness or injury.

"(3) Payment shall be made in the amount provided under subsection (b) to any hospital for the inpatient hospital services described in paragraph (1) or (2) furnished to an individual by the hospital or under arrangements (as defined in section 1861(w)) with it if (A) the Secretary would be required to make such payment if the hospital had an agreement in effect under this title and otherwise met the conditions of payment hereunder, (B) such hospital elects to claim such payment, and (C) such hospital agrees to comply, with respect to such services, with the provisions of section 1866(a).

"(4) Payment for the inpatient hospital services described in paragraph (1) or (2) furnished to an individual entitled to hospital insurance benefits under section 226 may be made on the basis of an itemized bill to such individual if (A) payment for such services cannot be made under paragraph (3) solely because the hospital does not elect to claim such payment, and (B) such individual files application (submitted within such time and in such form and manner and by such person, and containing and supported by such information as the Secretary shall by regulations prescribe) for re-

imbursement. The amount payable with respect to such services shall, subject to the provisions of section 1813, be equal to the amount which would be payable under subsection (d)(3)."

(b) Section 1861(e) of such Act is amended—

(1) by striking out "except for purposes of sections 1814(d) and 1835(b)" and inserting in lieu thereof "except for purposes of sections 1814(d), 1814(f), and 1835(b)":

(2) by inserting "section 1814(f)(2)," immediately after "For purposes of sections 1814(d) and 1835(b) (including determination of whether an individual received inpatient hospital services or diagnostic services for purposes of such sections),"; and

(3) by inserting immediately after the third sentence the following new sentence: "For purposes of section 1814(f)(1), such term includes an institution which (i) is a hospital for purposes of sections 1814(d), 1814(f)(2), and 1835(b) and (ii) is accredited by the Joint Commission on Accreditation of Hospitals, or is accredited by or approved by a program of the county in which such institution is located if the Secretary finds the accreditation or comparable approval standards, of such program to be essentially equivalent to those of the Joint Commission on Accreditation of Hospitals."

(c)(1) Section 1862(a)(4) of such Act is amended—

(A) by striking out "emergency"; and

(B) by inserting after "1814(f)" the following: "and, subject to such conditions, limitations, and requirements as are provided under or pursuant to this title, physicians' services and ambulance services furnished an individual in conjunction with such inpatient hospital services but only for the period during which such inpatient hospital services were furnished".

(2) Section 1861(r) of such Act (as amended by sections 256(b) and 264 of this Act) is futher amended by adding at the end thereof the following new sentence: "For the purposes of section 1862(a)(4) and subject to the limitations and conditions provided in the previous sentence, such term includes a doctor of one of the arts, specified in such previous sentence, legally authorized to practice such art in the country in which the inpatient hospital services (referred to in such section 1862(a)(4)) are furnished."

(3) Section 1842(b)(3)(B)(ii) of such Act is amended by striking out "service;" and inserting in lieu thereof the following: "service (except in the case of physicians' services and ambulance service furnished as described in section 1862(a)(4), other than for purposes of section 1870(f));".

(4) Section 1833(a)(1) of such Act is amended by striking out "and" before "(B)", and by inserting before the semicolon at the end thereof the following: ", and (C) with respect to expenses incurred for those physicians' services for which payment may be made under this part that are described in section 1862(a)(4), the amounts paid shall be subject to such limitations as may be prescribed by regulations".

(d) The amendments made by this section shall apply to services furnished with respect to admissions occuring after December 31, 1971.

PART B—IMPROVEMENT IN OPERATING EFFECTIVENESS LIMITATION ON FEDERAL PARTICIPATION FOR CAPITAL EXPENDITURES

SEC. 221. (a) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"LIMITATION ON FEDERAL PARTICIPATION FOR CAPITAL EXPENDITURES

"SEC. 1122. (a) The purpose of this section is to assure that Federal funds appropriated under titles V, XVIII, and XIX are not used to support unnecessary capital expenditures made by or on behalf of health care facilities or health maintenance organizations which are reimbursed under any of such titles and that, to the extent possible, reimbursement under such titles shall support planning activities with respect to health services and facilities in the various States.

(b) The Secretary, after consultation with the Governor (or other chief executive officer) and with appropriate local public officials, shall make an agreement with any State which is able and willing to do so under which a designated planning agency (which shall be an agency described in clause (ii) of subsection (d)(1)(B) that has a governing body or advisory board at least half of whose members represent consumer interests) will—

"(1) make, and submit to the Secretary together with such supporting materials as he may find it necessary, findings and recommendations with respect to capital expenditures proposed by or on behalf of any health care facility or health maintenance organization in such State within the field of its responsibilities.

"(2) receive from other agencies described in clause (ii) of subsection (d)(1)(B), and submit to the Secretary together with such supporting material as he may find necessary, the findings and recommendations of such other agencies with respect to capital expenditures proposed by or on behalf of health care facilities or health maintenance organizations in such State within the fields of their respective responsibilities, and

"(3) establish and maintain procedures pursuant to which a person proposing any such capital expenditure may appeal a recommendation by the designated agency and will be granted an opportunity for a fair hearing by such agency or person other than the designated agency as the Governor (or other chief executive officer) may designate to hold such hearings.

whenever and to the extent that the findings of such designated agency or any such other agency indicate that any such expenditure is not consistent with the standards, criteria, or plans developed pursuant to the Public Health Service Act (or the Mental Retardation Facilities and Community Mental Health Centers Construction Act of 1963) to meet the need for adequate health care facilities in the area covered by the plan or plans so developed.

"(c) The Secretary shall pay any such State from the Federal Hospital Insurance Trust Fund, in advance or by way of reimbursement as may be provided in the agreement with it (and may make adjustments in such payments on account of overpayments or underpayments previously made), for the reasonable cost of performing the functions specified in subsection (b).

"(d)(1) Except as provided in paragraph (2), if the Secretary determines that—

"(A) neither the planning agency designated in the agreement described in subsection (b) nor an agency described in clause (ii) of subparagraph (B) of this paragraph had been given notice of any proposed capital expenditure (in accordance with such procedure or in such detail as may be required by such agency) at least 60 days prior to obligation for such expenditure; or

"(B)(i) the planning agency so designated or an agency so described had received such timely notice of the intention to make such capital expenditure and had, within a reasonable period after receiving such notice and prior to obligation for such expenditure, notified the person proposing such expenditure that the expenditure would not be in conformity with the standards, criteria, or plans developed by such agency or any other agency described in clause (ii) for adequate health care facilities in such State or in the area for which such other agency has responsibility, and

"(ii) the planning agency so designated had, prior to submitting to the Secretary the findings referred to in subsection (b)—

"(I) consulted with, and taken into consideration the findings and recommendations of, the State planning agencies established pursuant to sections 314(a) and 604(a) of the Public Health Service Act (to the extent that either such agency is not the agency so designated) as well as the public or nonprofit private agency or organization responsible for the comprehensive regional, metropolitan area, or other local area plan or plans referred to in section 314(b) of the Public Health Service Act and covering the area in which the health care facility or health maintenance organization proposing such capital expenditure is located (where such agency is not the agency designated in the agreement), or, if there is no such agency, such other public or nonprofit private agency or organization (if any) as performs, as determined in accordance with criteria included in regulations, similar functions, and

"(II) granted to the person proposing such capital expenditure an opportunity for a fair hearing with respect to such findings;

then, for such period as he finds necessary in any case to effectuate the purpose of this section, he shall, in determining the Federal payments to be made under titles V, XVIII, and XIX with respect to services furnished in the health care facility for which such capital expenditure is made, not include any amount which is attributable to depreciation, interest on borrowed funds, a return on equity capital (in the case of proprietary facilities), or other expenses related to such capital expenditure. With respect to any organization which is reimbursed on a per capita basis, in determining the Federal payments to be made under titles V, XVII, and XIX, the Secretary shall exclude an amount which in his judgment is a reasonable equivalent to the amount which would otherwise be excluded under this subsection if payment were to be made on other than a per capita basis.

"(2) If the Secretary, after submitting the matters involved to the advisory council established or designated under subsection (i), determines that an exclusion of expenses related to any capital expenditure of any health care facility or health maintenance organization would discourage the operation or expansion of such facility or organization, or of any facility of such organization, which has demonstrated to his satisfaction proof of capability to provide comprehensive health care services (including institutional services) efficiently, effectively, and economically, or would otherwise be inconsistent with the effective organization and delivery of health services or the effective administration of title V, XVIII, or XIX, he shall not exclude such expenses pursuant to paragraph (1).

"(e) Where a person obtains under lease or comparable arrangement any facility or part thereof, or equipment for a facility, which would have been subject to an exclusion under subsection (d) if the person had acquired it by purchase, the Secretary shall (1) in computing such person's rental expense in determining the Federal payments to be made under titles V, XVIII, and XIX with respect to services furnished in such facility, deduct the amount which in his judgment is a reasonable equivalent of the amount that would have been excluded if the person had acquired such facility or such equipment by purchase, and (2) in computing such person's return on equity capital deduct any amount deposited under the terms of the lease or comparable arrangement.

"(f) Any person dissatisfied with a determination by the Secretary under this section may within six months following notification of such determination request the Secretary to reconsider such determination. A determination by the Secretary under this section shall not be subject to administrative or judicial review.

"(g) For the purposes of this section, a 'capital expenditure' is an expenditure which, under generally accepted accounting principles, is not properly chargeable as an expense of operation and maintenance and which (1) exceeds $100,000, (2) changes the bed capacity of the facility with respect to which such expenditure is made, or (3) substantially changes the services of the facility with respect to which such expenditure is made. For purposes of clause (1) of the preceding sentence, the cost of the studies, surveys, designs, plans, working drawings, specifications, and other activities essential to the acquisition, improvement, expansion, or replacement of the plant and equipment with respect to which such expenditure is made shall be included in determining whether such expenditure exceeds $100,000.

"(h) The provisions of this section shall not apply to Christian Science sanatoriums operated, or listed and certified, by the First Church of Christ, Scientist, Boston, Massachusetts.

"(i)(1) The Secretary shall establish a national advisory council, or designate an appropriate existing national advisory council, to advise and assist him in the preparation of general regulations to carry out the purposes of this section and on policy matters arising in the administration of this section, including the coordination of activities under this section with those under other parts of this Act or under other Federal or federally assisted health programs.

"(2) The Secretary shall make appropriate provision for consultation between and coordination of the work of the advisory council established or designated under paragraph (1) and the Federal Hospital Council, the National Advisory Health Council, the Health Insurance Benefits Advisory Council, the Medical Assistance Advisory Council, and other appropriate national advisory councils with respect to matters bearing on the purposes and administration of this section and the coordination of activities under this section with related Federal health programs.

"(3) If an advisory council is established by the Secretary under paragraph (1), it shall be composed of members who are not otherwise in the regular full-time employ of the United States, and who shall be appointed by the Secretary without regard to the civil service laws from among leaders in the fields of the fundamental sciences, the medical sciences, and the organization, delivery, and financing of health care, and persons who are State or local officials or are active in community affairs or public or civil affairs or who are representative of minority groups. Members of such advisory council, while attending meetings of the council or otherwise serving on business of the council, shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding the maximum rate specified at the time of such service for grade GS-18 in section 5332 of title 5, United States Code, including traveltime, and while away from their homes or regular places of business they may also be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703(b) of such title 5 for persons in the Government service employed intermittently."

(b) The amendment made by subsection (a) shall apply only with respect to a capital expenditure the obligation for which is incurred by or on behalf of a health care facility or health maintenance organization subsequent to whichever of the following is earlier: (A) June 30, 1972, or (B) with respect to any State or any part thereof specified by such State, the last day of the calendar quarter in which the State requests that the amendment made by subsection (a) of this section apply in such State or such part thereof.

(c)(1) Section 505(a)(6) of such Act (as amended by section 232(b) of this Act) is further amended by inserting ", consistent with section 1122," after "standards" where it first appears.

(2) Section 506 of such Act (as amended by sections 224(d), 229(d), 233(d), and 237(b) of this Act) is further amended by adding at the end thereof the following new subsection:

"(g) For limitation on Federal participation for capital expenditures which are out of conformity with a comprehensive plan of a State or areawide planning agency, see section 1122."

(3) Clause (2) of the second sentence of section 509 (a) of such Act is amended by inserting ", consistent with section 1122," after "standards".

(4) Section 1861(v) of such Act is amended by adding at the end thereof the following new paragraph:

"(5) For limitation on Federal participation for capital expenditures which are out of conformity with a comprehensive plan of a State or areawide planning agency, see section 1122."

(5) Section 1902(a)(13)(D) of such Act (as amended by section 232(a) of this Act) is further amended by inserting ", consistent with section 1122," after "standards" where it first appears.

(6) Section 1903(a) of such Act is amended by adding at the end thereof the following new paragraph:

"(3) For limitation on Federal participation for capital expenditures which are out of conformity with a comprehensive plan of a State or areawide planning agency, see section 1122."

REPORT ON PLAN FOR PROSPECTIVE REIMBURSEMENT; EXPERIMENTS AND DEMONSTRATION PROJECTS TO DEVELOP INCENTIVES FOR ECONOMY IN THE PROVISION OF HEALTH SERVICES

SEC. 222. (a)(1) The Secretary of Health, Education, and Welfare, directly or through contracts with public or private agencies or organizations, shall develop and carry out experiments and demonstration projects designed to determine the relative advantages and disadvantages of various alternative methods of making payment on a prospective basis to hospitals, extended care facilities, and other providers of services for care and services provided by them under title XVIII of the Social Security Act and under State plans approved under titles XIX and V of such Act, including alternative methods for classifying providers, for establishing prospective rates of payment, and for implementing on a gradual, selective, or other basis the establishment of a prospective payment system, in order to stimulate such providers through positive financial incentives to use their facilities and personnel more efficiency and thereby to reduce the total costs of the health programs involved without adversely affecting the quality of services by containing or lowering the rate of increase in provider costs that has been and is being experienced under the existing system of retroactive cost reimbursement.

(2) The experiments and demonstration projects developed under paragraph (1) shall be of sufficient scope and shall be carried out on a wide enough scale to permit a thorough evaluation of the alternative methods of prospective payment under consideration while giving assurance that the results derived from the experiments and projects will obtain generally in the operation of the programs involved (without committing such programs to the adoption of any prospective payment system either locally or nationally).

(3) In the case of any experiment or demonstration project under paragraph (1), the Secretary may waive compliance with the requirements of titles XVIII, XIX, and V of the Social Security Act insofar as such requirements relate to methods of payment for services provided; and costs incurred in such experiment or project in excess of those which would otherwise be reimbursed or paid under such titles may be reimbursed or paid to the extent that such waiver applies to them (with such excess being borne by the Secretary). No experiment or demonstration project shall be developed or carried out under paragraph (1) until the Secretary obtains the advice and recommendations of specialists who are competent to evaluate the proposed experiment or project as to the soundness of its objectives, the possibilities of securing productive results, the adequacy of resources to conduct it, and its relationship to other similar experiments or projects already completed or in process.

(4) Grants, payments under contracts, and other expenditures made for experiments and demonstration projects under this subsection shall be made in appropriate part from the Federal Hospital Insurance Trust Fund (established by section 1817 of the Social Security Act) and the Federal Supplementary Medical Insurance Trust Fund (established by section 1841 of the Social Security Act). Grants and payments under contracts may be made either in advance or by way of reimbursement, as may be determined by the Secretary, and shall be made in such installments and on such conditions as the Secretary finds necessary to carry out the purpose of this subsection. With respect to any such grant, payment, or other expenditure, the amount to be paid from each of such trust funds shall be determined by the Secretary, giving due regard to the purposes of the experiment or project involved.

(5) The Secretary shall submit to the Congress no later than July 1, 1973, a full report on the experiments and demonstration projects carried out under this subsection and on the experience of other programs with respect to prospective reimbursement together with any related data and materials which he may consider appropriate. Such report shall include detailed recommendations with respect to the specific methods which could be used in the full implementation of a system of prospective payment to providers of services under the programs involved.

(b)(1) Section 402(a) of the Social Security Amendments of 1967 is amended to read as follows:

"(a)(1) The Secretary of Health, Education, and Welfare is authorized, either directly or through grants to public or nonprofit private agencies, institutions, and organizations, to develop and engage in experiments and demonstration projects for the following purposes:

"(A) to determine whether, and if so which, changes in methods of payment or reimbursement (other than those dealt with in section 222(a) of the Social Security Amendments of 1971) for health care and services under health programs established by the Social Security Act, including a change to methods based on negotiated rates, would have the effect of increasing the efficiency and economy of health services under such programs through the creation of additional incentives to these ends without adversely affecting the quality of such services;

"(B) to determine whether payments for services other than those for which payment may be made under such programs (and which are incidental to services for which payment may be made under such programs) would, in the judgment of the Secretary, result in more economical provision and more effective utilization of services for which payment may be made under such program, where such services are furnished by organizations and institutions which have the capability of providing—

"(i) comprehensive health care services,

"(ii) mental health care services (as defined by section 401(c) of the Mental Re-

tardation Facilities and Community Health Centers Construction Act of 1963),

"(iii) ambulatory health care services, or

"(iv) institutional services which may substitute, at lower cost, for hospital care;

"(C) to determine whether the rates of payment or reimbursement for health care services, approved by a State for purposes of the administration of one or more of its laws, when utilized to determine the amount to be paid for services furnished in such State under the health programs established by the Social Security Act, would have the effect of reducing the costs of such programs without adversely affecting the quality of such services;

"(D) to determine whether payments under such programs based on a single combined rate of reimbursement or charge for the teaching activities and patient care which residents, interns, and supervising physicians render in connection with a graduate medical education program in a patient facility would result in more equitable and economical patient care arrangements without adversely affecting the quality of such care;

"(E) to determine whether peer review, utilization review, and medical review mechanisms established on an areawide or communitywide basis would have a beneficial effect in helping to assure that services provided conform to appropriate professional standards for the provision of health care and that payment for such services will be made—

"(i) only when, and to the extent, medically necessary, as determined in the exercise of reasonable limits of professional discretion, and

"(ii) in the case of services provided by a hospital or other health care facility on an inpatient basis, only when and for such period as such services cannot, consistent with professionally recognized health care standards, effectively be provided on an outpatient basis or more economically in an inpatient health care facility of a different type, as determined in the exercise of reasonable limits of professional discretion; and

"(F) to determine whether, and if so which type of, fixed price or performance incentive contract would have the effect of inducing to the greatest degree effective, efficient, and economical performance of agencies and organizations making payment under agreements or contracts with the Secretary for health care and services under health programs established by the Social Security Act. For purposes of this subsection, 'health programs established by the Social Security Act' means the program established by title XVIII of such Act, a program established by a plan of a State approved under title XIX of such Act, and a program established by a plan of a State approved under title V of such Act.

"(2) Grants, payments under contracts, and other expenditures made for experiments and demonstration projects under paragraph (1) shall be made in appropriate part from the Federal Hospital Insurance Trust Fund (established by section 1817 of the Social Security Act) and the Federal Supplementary Medical Insurance Trust Fund (established by section 1841 of the Social Security Act). Grants and payments under contracts may be made either in advance or by way of reimbursement, as may be determined by the Secretary, and shall be made in such installments and on such conditions as the Secretary finds necessary to carry out the purpose of this section. With respect to any such grant, payment, or other expenditure, the amount to be paid from each of such trust funds shall be determined by the Secretary, giving due regard to the purposes of the experiment or project involved."

(2) Section 402(b) of such amendments is amended—

(A) by striking out "experiment" each time it appears and inserting in lieu thereof "experiment or demonstration project";

(B) by striking out "experiments" and inserting in lieu thereof "experiments and projects"; and

(C) by striking out "reasonable charge" and inserting in lieu thereof "reasonable charge, or to reimbursement or payment only for such services or items as may be specified in the experiment".

(c) Section 1875(b) of the Social Security Act is amended—

(1) by striking out "experimentation" and inserting in lieu thereof "experiments and demonstration projects", and

(2) by inserting "and the experiments and demonstration projects authorized by section 222(a) of the Social Security Amendments of 1971" after "1967".

LIMITATIONS ON COVERAGE OF COSTS UNDER MEDICARE

SEC. 223. (a) The first sentence of section 1861(v)(1) of the Social Security Act is amended by inserting immediately before "determined" where it first appears the following: "the cost actually incurred, excluding therefrom any part of incurred cost found to be unnecessary in the efficient delivery of needed health services, and shall be".

(b) The third sentence of section 1861(v)(1) of such Act is amended by striking out the comma after "services," where it last appears and inserting in lieu thereof the following: "may provide for the establishment of limits on the direct or indirect overall incurred costs or incurred costs of specific items or services or groups of items or services to be recognized as reasonable based on estimates of the costs necessary in the efficient delivery of needed health services to individuals covered by the insurance programs established under this title,".

(c) The fourth sentence of section 1861(v)(1) of such Act is amended by inserting after "services" where it first appears the following: "(excluding therefrom any such costs, including standby costs, which are determined in accordance with regulations to be unnecessary in the efficient delivery of services covered by the insurance programs established under this title)".

(d) The fourth sentence of section 1861(v)(1) of such Act is further amended by striking out "costs with respect" where it first appears and inserting in lieu thereof the following: "necessary costs of efficiently delivering covered services".

(e) Section 1866(a)(2)(B) of such Act is amended (1) by inserting "(i)" after "(B)", and (2) by adding at the end thereof the following new clause:

"(ii) Where a provider of services customarily furnishes an individual items or services which are more expensive than the items or services determined to be necessary in the efficient delivery of needed health services under this title and which have not been requested by such individual, such provider may also charge such individual or other person for such more expensive items or services to the extent that the costs of (or, if less, the customary charges for) such more expensive items or services experienced by such provider in the second fiscal period immediately preceding the fiscal period in which such charges are imposed exceed the cost of such items or services determined to be necessary in the efficient delivery of needed health services, but only if—

"(I) the Secretary has provided notice to the public of any charges being imposed on individuals entitled to benefits under this title on account of costs in excess of the costs determined to be necessary in the efficient delivery of needed health services under this title by particular providers of services in the area in which such items or services are furnished, and

"(II) the provider of services has identified such charges to such individual or other person, in such manner as the Secretary may prescribe, as charges to meet costs in excess of the cost determined to be necessary in the efficient delivery of needed health services under this title."

(f) Section 1861(v) of such Act (as amended by section 221(c)(4) of this Act) is further amended by redesignating paragraphs (4) and (5) as paragraphs (5) and (6), respectively, and by inserting after paragraph (3) the following new paragraph:

"(4) If a provider of services furnishes items or services to an individual which are in excess of or more expensive than the items or services determined to be necessary in the efficient delivery of needed health services and charges are imposed for such more expensive items or services under the authority granted in section 1866(a)(2)(B)(ii), the amount of payment with respect to such items or services otherwise due such provider in any fiscal period shall be reduced to the extent that such payment plus such charges exceed the cost actually incurred for such items or services in the fiscal period in which such charges are imposed."

(g)(1) Section 1866(a)(2) of such Act is amended by inserting after subparagraph (C) the following new subparagraph:

"(D) Where a provider of services customarily furnishes items or services which are in excess of or more expensive than the items or services with respect to which payment may be made under this title, such provider, notwithstanding the preceding provisions of this paragraph, may not, under the authority of section 1866(a)(2)(B)(ii), charge any individual or other person any amount for such items or services in excess of the amount of the payment which may otherwise be made for such items or services under this title if the admitting physician has a direct or indirect financial interest in such provider."

(2) The last paragraph of section 1866(a)(2) is amended by striking out "clause (iii) of the preceding sentence" and inserting in lieu thereof "subparagraph (C)".

(h) The amendments made by this section shall be effective with respect to accounting periods beginning after June 30, 1972.

LIMITS ON PREVAILING CHARGE LEVELS

SEC. 224. (a) Section 1842(b)(3) of the Social Security Act is amended by adding at the end thereof the following new sentences: "No charge may be determined to be reasonable in the case of bills submitted or requests for payment made under this part after December 31, 1970, if it exceeds the higher of (i) the prevailing charge recognized by the carrier and found acceptable by the Secretary for similar services in the same locality in administering this part on December 31, 1970, or (ii) the prevailing charge level that, on the basis of statistical data and methodology acceptable to the Secretary, would cover 75 percent of the customary charges made for similar services in the same locality during the last preceding calendar year elapsing prior to the start of the fiscal year in which the bill is submitted or the request for payment is made. The prevailing charge level determined for purposes of clause (ii) of the preceding sentence for any fiscal year beginning after June 30, 1972, may not exceed (in the aggregate) the level determined under such clause for the fiscal year ending June 30, 1972, except to the extent that the Secretary finds, on the basis of appropriate economic index data that such higher level is justified by economic changes. In the case of medical services, supplies, and equipment that, in the judgment of he Secretary, do not generally vary significantly in quality from one supplier to another, the charges incurred after June 30, 1972, determined to be reasonable may exceed the lowest charge levels at which such services, supplies, and equipment are widely available in a locality only to the extent and under the circumstances specified by the Secretary."

(b) The Health Insurance Benefits Ad-

visory Council established under section 1867 of the Social Security Act shall conduct a study of the methods of reimbursement for physicians' services under Medicare for the purpose of evaluating their effects on (1) physicians' fees generally, (2) the extent of assignments accepted by physicians, and (3) the share of total physician-fee costs which the Medicare program does not pay and which the beneficiary must assume. The Council shall report the results of such study to the Congress no later than July 1, 1972, together with a presentation of alternatives to the present methods and its recommendations as to the preferred method.

(c) Section 1903 of such Act is amended by adding at the end thereof (after the new subsections added by section 207(a)(1) of this Act) the following new subsection:

"(i) Payment under the preceding provisions of this section shall not be made with respect to any amount paid for items or services furnished under the plan after June 30, 1971, to the extent that such amount exceeds the charge which would be determined to be reasonable for such items or services under the third, fourth, and fifth sentences of section 1842(b)(3)."

(d) Section 506 of such Act is amended by adding at the end thereof the following new subsection:

"(f) Notwithstanding the preceding provisions of this section, no payment shall be made to any State thereunder with respect to any amount paid for items or services furnished under the plan after June 30, 1971, to the extent that such amount exceeds the charge which would be determined to be reasonable for such items or services under the third, fourth, and fifth sentences of action 1842(b)(3)."

LIMITS ON PAYMENT FOR SKILLED NURSING HOME AND INTERMEDIATE CARE FACILITY SERVICES

SEC. 225. Section 1903 of the Social Security Act is amended by adding at the end thereof (after the new subsection added by section 224(c) of this Act) the following new subsection:

"(j) Notwithstanding the preceding provisions of this section—

"(1) in determining the amount payable to any State with respect to expenditures for skilled nursing home services furnished in any calendar quarter beginning after December 31, 1971, there shall not be included as expenditures under the State plan any amount in excess of the product of (A) the number of inpatient days of skilled nursing home services provided under the State plan in such quarter, and (B) 105 per centum of the average per diem cost of such services for the fourth calendar quarter preceding such calendar quarter; and

"(2) in determining the amount payable to any State with respect to expenditures for intermediate care facility services furnished in any calendar quarter beginning after December 31, 1971, there shall not be included as expenditures under the State plan any amount in excess of the product of (A) the number of inpatient days of intermediate care facility services provided in such quarter under each of the plans of such State approved under titles I, X, XIV, XVI, and XIX, and (B) 105 per centum of the average per diem cost of such services for the fourth calendar quarter preceding such calendar quarter.

For purposes of determining the amount payable to any State with respect to any quarter under paragraphs (1) and (2), the Secretary may be regulation increase the percentage specified in clause (B) of each such paragraph to the extent necessary to take account of increases in per diem costs which result directly from increases in the Federal minimum wage, or which otherwise result directly from provisions of Federal law enacted (or amendments to Federal law made) after the date of the enactment of the Social Security Amendments of 1971."

PAYMENTS TO HEALTH MAINTENANCE ORGANIZATIONS

SEC. 226. (a) Title XVIII of the Social Security Act is amended by adding at the end thereof the following new section:

"PAYMENTS TO HEALTH MAINTENANCE ORGANIZATIONS

"SEC. 1876. (a)(1) In lieu of amounts which would otherwise be payable pursuant to sections 1814(b) and 1833(a), the Secretary is authorized to determine, by actuarial methods, as provided in this section, but only with respect to a health maintenance organization with which he has entered into a contract under subsection (i), a prospective per capita rate of payment—

"(A) for services provided under parts A and B for individuals enrolled with such organization pursuant to subsection (e) who are entitled to hospital insurance benefits under part A and enrolled for medical insurance benefits under part B, and

"(B) for services provided under part B for individuals enrolled with such organization pursuant to subsection (e) who are not entitled to benefits under part A but who are enrolled for benefits under part B.

"(2)(A) Each such rate of payment shall be determined annually in accordance with regulations and shall be equal to 95 per centum of the amount that the Secretary estimates (with appropriate adjustments to assure actuarial equivalence) would be payable for services covered under this title (including administrative costs incurred by organizations described in sections 1816 and 1842) if such services were to be furnished by other than health maintenance organizations.

"(B) In order to assure that health maintenance organizations will not be permitted to retain revenues in excess of expenses with respect to such individuals at a rate greater than that applicable to their other enrollees, any contract with a health maintenance organization under this title shall provide that the Secretary shall require, at such time following the expiration of each accounting period of a health maintenance organization (and in such form and in such detail) as he may prescribe:

"(i) that such organization report to him in a certified public statement the amount retained (as herein defined) and the rate of retention (as herein defined) for the preceding accounting period with respect to (I) individuals enrolled with such organization under this section, considered as a group, and (II) all other individuals enrolled with such organization, considered as a group;

"(ii) that an audit (meeting requirements prescribed by the Secretary) be conducted with respect to any such organization which has a rate of retention with respect to individuals enrolled under this section which is in excess of 90 per centum of such organization's rate of retention with respect to all other individuals enrolled with such organization;

"(iii) that such part of the amount retained by any health maintenance organization with respect to individuals enrolled under this section which is attributable to an excessive rate of retention (as herein defined) shall be repaid by such organization unless used by it to provide benefits to enrollees under this section in addition to those specified in subsection (c) or to reduce the premium rates charged by such organization to such enrollees pursuant to subsection (g).

For purposes of this section—

"(iv) the term 'amount retained' means the difference between (I) the revenues (irrespective of the source of such revenues) of any health maintenance organization (for any accounting period as defined in regulations) with respect to any group of individuals who are enrolled with such organization and (II) the expenses of such organization (for such accounting period) with respect to such group of individuals;

"(v) the term 'rate of retention' means the ratio of such amount retained to such revenues, expressed as a percentage; and

"(vi) the term 'excessive rate of retention' means (I) any rate of retention of any health maintenance organization with respect to individuals enrolled under this section which is greater than such organization's rate of retention with respect to all other individuals enrolled with such organization, or (II) with respect to any health maintenance organization to which subsection (h) applies, any rate of retention with respect to individuals enrolled under this section which is greater than a reasonable rate of retention as determined in accordance with regulations, taking into account the rate of retention experienced by comparable organizations with respect to other individuals enrolled with such comparable organizations.

"(3) The payments to health maintenance organizations under this subparagraph with respect to individuals described in subsection (a)(1)(A) shall be made from the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund. The portion of such payment to such an organization for a month to be paid by the latter trust fund shall be equal to 200 percent of the sum of—

"(A) the product of (i) the number of covered enrollees of such organization for such month (as described in paragraph (1)) who have attained age 65, and (ii) the monthly actuarial rate for supplementary medical insurance for such month as determined under section 1839(c)(1), and

"(B) the product of (i) the number of covered enrollees of such organization for such month (as described in paragraph (1)) who have not attained age 65, and (ii) the monthly actuarial rate for supplementary medical insurance for such month as determined under section 1839(c)(4).

The remainder of such payment shall be paid by the former trust fund. For limitation on Federal participation for capital expenditures which are out of conformity with a comprehensive plan of a State or areawide planning agency, see section 1122.

"(b) The term 'health maintenance organization' means a public or private organization which—

"(1) provides, either directly or through arrangements with others, health services to individuals enrolled with such organization under subsection (e) or a per capita prepayment basis;

"(2) provides, either directly or through arrangements with others, to the extent applicable in subsection (c) (through institutions, entities, and persons meeting the applicable requirements of section 1861), all of the services and benefits covered under parts A and B of this title;

"(3) provides physicians' services (A) directly through physicians who are either employees or partners of such organization, or (B) under arrangements with one or more groups of physicians (organized on a group practice or individual practice basis) under which each such group is reimbursed for its services primarily on the basis of an aggregate fixed sum or on a per capita basis, regardless of whether the individual physician members of any such group are paid on a fee-for-service or other basis;

"(4) demonstrates to the satisfaction of the Secretary proof of financial responsibility and proof of capability to provide comprehensive health care services, including institutional services, efficiently, effectively, and economically;

"(5) except as provided in subsection (h), has at least half of its enrolled members consisting of individuals under age 65;

"(6) assures that the health services required by its members are received promptly and appropriately and that the services that are received measure up to quality standards which it establishes in accordance with regulations; and

"(7) has an open enrollment period at least every year under which it accepts up to the limits of its capacity and without restrictions, except as may be authorized in regulations, individuals who are eligible to enroll under subsection (d) in the order in which they apply for enrollment (unless to do so would result in failure to meet the requirements of paragraph (5)).

"(c) The benefits provided under this section shall consist of—

"(1) in the case of an individual who is entitled to hospital insurance benefits under part A and enrolled for medical insurance benefits under part B—

"(A) entitlement to have payment made on his behalf for all services described in section 1812 and section 1832 which are furnished to him by the health maintenance organization with which he is enrolled pursuant to subsection (e) of this section; and

"(B) entitlement to have payment made by such health maintenance organization to him or on his behalf for such emergency services (as defined in regulations), or such other services as may be determined in accordance with subsection (f), to be services which the individual was entitled to have furnished by the health maintenance organization, as may be furnished to him by a physician, supplier, or provider of services, other than the health maintenance organization with which he is enrolled; and

"(2) in the case of an individual who is not entitled to hospital insurance benefits under part A but who is enrolled for medical insurance benefits under part B, entitlement to have payment made for services described in paragraph (1), but only to the extent that such services are also described in section 1832.

"(d) Subject to the provisions of subsection (e), every individual described in subsection (c) shall be eligible to enroll with any health maintenance organization (as defined in subsection (b)) which serves the geographic area in which such individual resides.

"(e) An individual may enroll with a health maintenance organization under this section, and may terminate such enrollment, as may be prescribed by regulations.

"(f) Any individual enrolled with a health maintenance organization under this section who is dissatisfied by reason of his failure to receive without additional cost to him any health service to which he believes he is entitled shall, if the amount in controversy is $100 or more, be entitled to a hearing before the Secretary to the same extent as is provided in section 205(b) and in any such hearing the Secretary shall make such health maintenance organization a party thereto. If the amount in controversy is $1,000 or more, such individual or health maintenance organization shall be entitled to judicial review of the Secretary's final decision after such hearing as is provided in section 205 (g).

"(g)(1) If the health maintenance organization provides its enrollees under this section only the services described in subsection (c), its premium rate for such enrollees shall not exceed the actuarial value of the deductible and coinsurance which would otherwise be applicable to such enrollees under part A and part B, if they were not enrolled under this section.

"(2) If the health maintenance organization provides to its enrollees under this section services in addition to those described in subsection (c), it shall furnish such enrollees with information on the portion of its premium rate applicable to such additional services. The portion applicable to the services described in subsection (c) may not exceed the actuarial value of the deductible and coinsurance which would otherwise be applicable to such enrollees under part A and part B if they were not enrolled under this section.

"(h) The provisions of paragraph (5) of subsection (b) shall not apply with respect to any health maintenance organization for such period not to exceed three years from the date such organization enters into an agreement with the Secretary pursuant to subsection (i), as the Secretary may permit, but only so long as such organization demonstrates to the satisfaction of the Secretary by the submission of its plans for each year that it is making continuous efforts and progress toward achieving compliance with the provisions of such paragraph (5) within such three-year period.

"(i)(1) The Secretary is authorized to enter into a contract with any health maintenance organization which undertakes to provide, on a per capita prepayment basis, the services described in section 1832 (and section 1812, in the case of individuals who are entitled to hospital insurance benefits under part A) to individuals enrolled with such organization pursuant to subsection (e).

"(2) Each contract under this section shall be for a term of at least one year, as determined by the Secretary, and may be made automatically renewable from term to term in the absence of notice by either party of intention to terminate at the end of the current term; except that the Secretary may terminate any such contract at any time (after such reasonable notice and opportunity for hearing to the health maintenance organization involved as he may provide in regulations), if he finds that the organization (A) has failed substantially to carry out the contract, (B) is carrying out the contract in a manner inconsistent with the efficient and effective administration of this section, or (C) no longer substantially meets the applicable conditions of subsection (b).

"(3) The effective date of any contract executed pursuant to this subsection shall be specified in such contract pursuant to the regulations.

"(4) Each contract under this section—

"(A) shall provide that the Secretary, or any person or organization designated by him—

"(i) shall have the right to inspect or otherwise evaluate the quality, appropriateness, and timeliness of services performed under such contract; and

"(ii) shall have the right to audit and inspect any books and records of such health maintenance organization which pertain to services performed and determinations of amounts payable under such contract; and

"(B) shall contain such other terms and conditions not inconsistent with this section as the Secretary may find necessary.

"(j) The function vested in the Secretary by subsection (i) may be performed without regard to such provisions of law or of other regulations relating to the making, performance, amendment, or modification of contracts of the United States as the Secretary may determine to be inconsistent with the furtherance of the purposes of this title."

(b) Notwithstanding the provisions of section 1814 and section 1833 of the Social Security Act, any health maintenance organization which has entered into a contract with the Secretary pursuant to section 1876 of such Act shall, for the duration of such contract, be entitled to reimbursement only as provided in section 1876 of such Act for individuals who are members of such organizations; except that with respect to individuals who were members of such organization prior to January 1, 1972, and who, although eligible to have payment made pursuant to section 1876 of such Act for services rendered to then, chose (in accordance with regulations) not to have such payment made pursuant to such section, the Secretary shall, for a period not to exceed three years commencing on January 1, 1972, pay such organization on the basis of a per capita rate, determined in accordance with the provisions of section 1876(a) of such Act, with appropriate actuarial adjustments to reflect the difference in utilization of out-of-plan services between such individuals and individuals who are enrolled with such organization pursuant to section 1876 of such Act.

(c)(1) Section 1814(a) of such Act is amended by striking out "Except as provided in subsection (d)," and inserting in lieu thereof the following: "Except as provided in subsection (d) and in section 1876,".

(2) Section 1833(a) of such Act is amended by striking out "Subject to" and inserting in lieu thereof the following: "Except as provided in section 1876, and subject to".

(d) The amendments made by this section shall be effective with respect to services provided on or after January 1, 1972.

PAYMENT UNDER MEDICARE FOR SERVICES OF PHYSICIANS RENDERED AT A TEACHING HOSPITAL

SEC. 227. (a) Section 1861(b) of the Social Security Act is amended by striking out the second sentence and inserting in lieu thereof the following:

"Paragraph (4) shall not apply to services provided in a hospital by—

"(6) an intern or a resident-in-training under a teaching program approved by the Council on Medical Education of the American Medical Association or, in the case of an osteopathic hospital, approved by the Committee on Hospitals of the Bureau of Professional Education of the American Osteopathic Association, or, in the case of services in a hospital or osteopathic hospital by an intern or resident-in-training in the field of dentistry, approved by the Council on Dental Education of the American Dental Association; or

"(7) a physician where the hospital has a teaching program approved as specified in paragraph (6), unless (A) such inpatient is a private patient (as defined in regulations), or (B) the hospital establishes that during the two-year period ending December 31, 1967, and each year thereafter all inpatients have been regularly billed by the hospital for services rendered by physicians and reasonable efforts have been made to collect in full from all patients and payment of reasonable charges (including applicable deductibles and coinsurance) has been regularly collected in full or in substantial part from at least 50 percent of all inpatients."

(b)(1) So much of section 1814(a) of such Act as precedes paragraph (1) (as amended by section 226(c)(1) of this Act) is further amended by striking out "subsection (d)" and inserting in lieu thereof "subsections (d) and (g)".

(2) Section 1814 is further amended by adding at the end thereof the following new subsection:

"Payment for Services of a Physician Rendered in a Teaching Hospital

"(g) For purposes of services for which the reasonable cost thereof is determined under section 1861(v)(1)(D), payment under this part shall be made to such fund as may be designated by the organized medical staff of the hospital in which such services were furnished or, if such services were furnished in such hospital by the faculty of a medical school, to such fund as may be designated by such faculty, but only if—

"(1) such hospital has an agreement with the Secretary under section 1866, and

"(2) the Secretary has received written assurances that (A) such payment will be used by such fund solely for the improvement of care of hospital patients or for educational or charitable purposes and (B) the individuals who were furnished such services or any other persons will not be charged for such services (or if charged, provision will be made for return of any moneys incorrectly collected)."

(c) Section 1861(v)(1) of such Act (as amended by section 223 of this Act) is amended—

(1) by inserting "(A)" after "(1)";

(2) by striking out "(A) take" and "(B) provide" in the fourth sentence and inserting in lieu thereof "(i) take" and "(ii) provide", respectively;

(3) by inserting "B" immediately preceding "Such regulations in the case of extended care services"; and

(4) by adding at the end thereof the following new subparagraphs:

"(C) Where a hospital has an arrangement with a medical school under which the faculty of such school provides services at such hospital, an amount not in excess of the reasonable cost of such services to the medical school shall be included in determining the reasonable cost to the hospital of furnishing services—

"(i) for which payment may be made under part A, but only if

"(I) payment for such services as furnished under such arrangement would be made under part A to the hospital had such services been furnished by the hospital, and

"(II) such hospital pays to the medical school at least the reasonable cost of such services to the medical school, or

"(ii) for which payment may be made under part B, but only if such hospital pays to the medical school at least the reasonable cost of such services to the medical school.

"(D) Where (i) physicians furnish services which are either inpatient hospital services (including services in conjunction with the teaching programs of such hospital(by reason of paragraph (7) of subsection (b) or for which entitlement exists by reason of clause (II) of section 1832(a)(2)(B) (i) and (ii) such hospital (or medical school under arrangement with such hospital) incurs no actual cost in the furnishing of such services, the reasonable cost of such services shall (under regulations of the Secretary) be deemed to be the cost such hospital or medical school would have incurred had it paid a salary to such physicians rendering such services approximately equivalent to the average salary paid to all physicians employed by such hospital (or if such employment does not exist, or is minimal in such hospital, by similar hospitals in a geographic area of sufficient size to assure reasonable inclusion of sufficient physicians in development of such average salary)."

(d)(1) Section 1861(u) of such Act is amended by inserting before the period at the end thereof the following: ", or, for purposes of section 1814(g) and section 1835(e), a fund".

(2) So much of section 1866(a)(1) of such Act as precedes subparagraph (A) is amended by inserting "(except a fund designated for purposes of section 1814(g) and section 1835(e))" after "provider of services".

(e)(1) Section 1832(a)(2)(B) of such Act is amended to read as follows:

"(B) medical and other health services furnished by a provider of services or by others under arrangements with them made by a provider of services, excluding—

"(i) physician services except where furnished by—

"(I) a resident or intern of a hospital or

"(II) a physician to a patient in a hospital which has a teaching program approved as specified in paragraph (6) of section 1861(b) (including services in conjunction with the teaching programs of such hospital whether or not such patient is an inpatient of such hospital), unless either clause (A) or (B) of paragraph (7) of such section is met, and

"(ii) services for which payment may be made pursuant to section 1835(b)(2); and".

(2)(A) So much of section 1835(a) of such Act as precedes paragraph (1) is amended by striking out "subsections (b) and (c)," and inserting in lieu thereof "subsections (b), (c), and (e),".

(B) Section 1835 of such Act is further amended by adding at the end thereof the following new subsection:

"(e) For purposes of services (1) which are inpatient hospital services by reason of paragraph (7) of section 1861 (b) or for which entitlement exists by reason of clause (II) of section 1832(a)(2)(B)(i), and (2) for which the reasonable cost thereof is determined under section 1861(v)(1)(D), payment under this part shall be made to such fund as may be designated by the organized medical staff of the hospital in which such services were furnished or, if such services were furnished in such hospital by the faculty of a medical school, to such fund as may be designated by such faculty, but only if—

"(1) such hospital has an agreement with the Secretary under section 1866, and

"(2) the Secretary has received written assurances that such payment will be used by such fund solely for the improvement of care to patients in such hospital or for educational or charitable purposes and (B) the individuals who were furnished such services or any other persons will not be charged for such services (or if charged provision will be made for return for any moneys incorrectly collected)."

(3) Section 1842(a) of such Act is amended by inserting after "which involve payments for physicians' services" the following: "on a reasonable charge basis".

(f) Section 1861(q) of such Act is amended by striking out the parenthetical phrase "(but not including services described in the last sentence of subsection (b))" and inserting in lieu thereof "(but not including services described in subsection (b)(6))".

(g) The amendments made by this section shall apply with respect to accounting periods beginning after June 30, 1971.

ADVANCE APPROVAL OF EXTENDED CARE AND HOME HEALTH COVERAGE UNDER MEDICARE

SEC. 228. (a) Section 1814 of the Social Security Act (as amended by section 227(b)(2) of this Act) is amended by adding at the end thereof the following new subsections:

"Payment for Posthospital Extended Care Services

"(h)(1) An individual shall be presumed to require the care specified in subsection (a)(2)(C) of this section for purposes of making payment to an extended care facility (subject to the provisions of section 1812) for posthospital extended care services which are furnished by such facility to such individual if—

"(A) the certification referred to in subsection (a)(2)(C) of this section is submitted prior to or at the time of admission of such individual to such extended care facility,

"(B) such certification states that the medical condition of the individual is a condition designated in regulations,

"(C) such certification is accompanied by a plan of treatment for providing such services, and

"(D) there is compliance with such other requirements and procedures as may be specified in regulations, but only for services furnished during such limited period of time with respect to such conditions of the individual as may be prescribed in regulations by the Secretary, taking into account the medical severity of such conditions, the degree of incapacity, and the minimum length of stay in an institution generally needed for such conditions, and such other factors affecting the type of care to be provided as the Secretary deems pertinent.

"(2) If the Secretary determines with respect to a physician that such physician is submitting with some frequency (A) erroneous certifications that individuals have conditions designated in regulations as provided in this subsection or (B) plans for providing services which are inappropriate, the provisions of paragraph (1) shall not apply, after the effective date of such determination, in any case in which such physician submits a certification or plan referred to in subparagraph (A), (B), or (C) of paragraph (1).

"Payment for Posthospital Home Health Services

"(i)(1) An individual shall be presumed to require the services specified in subsection (a)(2)(D) of this section for purposes of making payment to a home health agency (subject to the provisions of section 1812) for posthospital home health services furnished by such agency to such individual if—

"(A) the certification and plan referred to in subsection (a)(2)(D) of this section are submitted in timely fashion prior to the first visit by such agency,

"(B) such certification states that the medical condition of the individual is a condition designated in regulations, and

"(C) there is compliance with such other requirements and procedures as may be specified in regulations, but only for services furnished during such limited numbers of visits with respect to such conditions of the individual as may be prescribed in regulations by the Secretary, taking into account the medical severity of such conditions, the degree of incapacity, and the minimum period of home confinement generally needed for such conditions, and such other factors affecting the type of care to be provided as the Secretary deems pertinent.

"(2) If the Secretary determines with respect to a physician that such physician is submitting with some frequency (A) erreoneous certifications that individuals have conditions designated in regulations as provided in this subsection or (B) plans for providing services which are inappropriate, the provisions of paragraph (1) shall not apply, after the effective date of such determination, in any case in which such physician submits a certification or plan referred to in subparagraph (A) or (B) of paragraph (1)."

(b) The amendment made by subsection (a) shall be effective with respect to admissions to extended care facilities, and home health plans initiated, on or after January 1, 1972.

AUTHORITY OF SECRETARY TO TERMINATE PAYMENTS TO SUPPLIERS OF SERVICES

SEC. 229. (a) Section 1862 of the Social Security Act (as amended by section 210 of this Act) is further amended by adding at the end thereof the following new subsection

"(d)(1) No payment may be made under this title with respect to any item or services furnished to an individual by a person where the Secretary determines under this subsection that such person—

"(A) has knowingly and willfully made, or caused to be made, any false statement or representation of a material fact for use in an application for payment under this title or for use in determining the right to a payment under this title;

"(B) has submitted or caused to be submitted (except in the case of a provider of services), bills or requests for payment under this title containing charges (or in applicable cases requests for payment of costs to such person) for services rendered which the Secretary finds, with the concurrence of the appropriate program review team appointed pursuant to paragraph (4), to be substantially in excess of such person's customary charges (or in applicable cases substantially in excess of such person's costs) for such services, unless the Secretary finds there is good cause for such bills or requests containing such charges (or in applicable cases, such costs); or

"(C) has furnished services or supplies which are determined by the Secretary, with the concurrence of the members of the appropriate program review team appointed

pursuant to paragraph (4) who are physicians or other professional personnel in the health care field, to be substantially in excess of the needs of individuals or to be harmful to individuals or to be of a grossly inferior quality.

"(2) A determination made by the Secretary under this subsection shall be effective at such time and upon such reasonable notice to the public and to the person furnishing the services involved as may be specified in regulations. Such determination shall be effective with respect to services furnished to an individual on or after the effective date of such determination (except that in the case of inpatient hospital services, posthospital extended care services, and home health services such determination shall be effective in the manner provided in section 1866(b)(3) and (4) with respect to terminations of agreements), and shall remain in effect until the Secretary finds and gives reasonable notice to the public that the basis for such determination has been removed and that there is reasonable assurance that it will not recur.

"(3) Any person furnishing services described in paragraph (1) who is dissatisfied with a determination made by the Secretary under this subsection shall be entitled to reasonable notice and opportunity for a hearing thereon by the Secretary to the same extent as is provided in section 205(b), and to judicial review of the Secretary's final decision after such hearing as is provided in section 205(g).

"(4) For the purposes of paragraph (1)(B) and (C) of this subsection, and clause (F) of section 1866(b)(2), the Secretary shall, after consultation with appropriate State and local professional societies, the appropriate carriers and intermediaries utilized in the administration of this title, and consumer representatives familiar with the health needs of residents of the State, appoint one or more program review team (composed of physicians, other professional personnel in the health care field, and consumer representatives) in each State which shall, among other things—

"(A) undertake to review such statistical data on program utilization as may be submitted by the Secretary,

"(B) submit to the Secretary periodically, as may be prescribed in regulations, a report on the results of such review, together with recommendations with respect thereto,

"(C) undertake to review particular cases where there is a likelihood that the person or persons furnishing services and supplies to individuals may come within the provisions of paragraph (1)(B) and (C) of this subsection or clause (3) of section 1866(b)(2), and

"(D) submit to the Secretary periodically, as may be prescribed in regulations, a report of cases reviewed pursuant to subparagraph (C) along with an analysis of, and recommendations with respect to, such cases."

(b) Section 1866(b)(2) of such Act is amended by striking out the period at the end thereof and inserting in lieu thereof the following: ", or (D) that such provider has made, or caused to be made, any false statement or representation of a material fact for use in an application for payment under this title or for use in determining the right to a payment under this title, or (E) that such provider has submitted, or caused to be submitted, requests for payment under this title of amounts for rendering services substantially in excess of the costs incurred by such provider for rendering such services, or (F) that such provider has furnished services or supplies which are determined by the Secretary, with the concurrence of the members of the appropriate program review team appointed pursuant to section 1862(d)(4) who are physicians or other professional personnel in the health care field, to be substantially in excess of the needs of individuals or to be harmful to individuals or to be of a grossly inferior quality."

(c) Section 1903(1) of such Act (as added by section 224(c) of this Act) is further amended by striking out "shall not be made" and all that follows and inserting in lieu thereof the following: "shall not be made—

"(1) with respect to any amount paid for items or services furnished under the plan after June 30, 1971, to the extent that such amount exceeds the charge which would be determined to be reasonable for such items or services under the fourth and fifth sentences of section 1842(b)(3); or

"(2) with respect to any amount paid for services furnished under the plan after June 30, 1971, by a provider or other person during any period of time, if payment may not be made under title XVIII with respect to services furnished by such provider or person during such period of time solely by reason of a determination by the Secretary under section 1862(d)(1) or under clause (D), (E), or (F) of section 1866(b)(2)."

(d) Section 506(f) of such Act (as added by section 224(d) of this Act) is further amended by striking out "no payment shall be made" and all that follows and inserting in lieu thereof the following: "no payment shall be made to any State thereunder—

"(1) with respect to any amount paid for items or services furnished under the plan after June 30, 1971, to the extent that such amount exceeds the charge which would be determined to be reasonable for such items or services under the fourth and fifth sentences of section 1842(b)(3); or

"(2) with respect to any amount paid for services furnished under the plan after June 30, 1971, by a provider or other person during any period of time, if payment may not be made under title XVIII with respect to services furnished by such provider or person during such period of time solely by reason of a determination by the Secretary under section 1862(d)(1) or under clause (D), (E), or (F) of section 1866(b)(2)."

ELIMINATION OF REQUIREMENT THAT STATES MOVE TOWARD COMPREHENSIVE MEDICAID PROGRAMS

SEC. 230. Section 1903(e) of the Social Security Act, and section 2(b) of Public Law 91-56 (approved August 9, 1969), are repealed.

REDUCTIONS IN CARE AND SERVICES UNDER MEDICAID

SEC. 231. Section 1902(d) of the Social Security Act is amended—

(1) by inserting "required to be included pursuant to subsection (a)(13) and" after "extent of the care and services" in the matter preceding paragraph (1);

(2) by striking out "or to terminate any of such care and services,"; and

(3) by inserting "with respect to care and services required to be included pursuant to subsection (a)(13)" after "under the plan" in paragraph (1).

DETERMINATION OF REASONABLE COST OF INPATIENT HOSPITAL SERVICES UNDER MEDICAID AND UNDER MATERNAL AND CHILD HEALTH PROGRAM

SEC. 232. (a) Section 1902(a)(13)(D) of the Social Security Act is amended to read as follows:

"(D) for payment of the reasonable cost of inpatient hospital services provided under the plan, as determined in accordance with methods and standards which shall be developed by the State and included in the plan, except that the reasonable cost of any such services as determined under such methods and standards shall not exceed the amount which would be determined under section 1861(v) as the reasonable cost of such services for purposes of title XVIII;".

(b) Section 505(a)(6) of such Act is amended to read as follows:

"(6) provides for payment of the reasonable cost of inpatient hospital services provided under the plan, as determined in accordance with methods and standards which shall be developed by the State and included in the plan, except that the reasonable cost of any such services as determined under such methods and standards shall not exceed the amount which would be determined under section 1861(v) as the reasonable cost of such services for purposes of title XVIII;".

(c) The amendments made by this section shall be effective July 1, 1972 (or earlier if the State plan so provides).

AMOUNT OF PAYMENTS WHERE CUSTOMARY CHARGES FOR SERVICES FURNISHED ARE LESS THAN REASONABLE COST

SEC. 233. (a) Section 1814(b) of the Social Security Act is amended to read as follows:

"Amount Paid to Providers

"(b) The amount paid to any provider of services with respect to services for which payment may be made under this part shall, subject to the provisions of section 1813, be—

"(1) the lesser of (A) the reasonable cost of such services, as determined under section 1861(v), or (B) the customary charges with respect to such services; or

"(2) if such services are furnished by a public provider of services free of charge or at nominal charges to the public, the amount determined on the basis of those items (specified in regulations prescribed by the Secretary) included in the determination of such reasonable cost which the Secretary finds will provide fair compensation to such provider for such services."

(b) Section 1833(a)(2) of such Act is amended to read as follows:

"(2) in the case of services described in section 1832(a)(2)—80 percent of—

"(A) the lesser of (i) the reasonable cost of such services, as determined under section 1861(v), or (ii) the customary charges with respect to such services; or

"(B) if such services are furnished by a public provider of services free of charge or at nominal charges to the public, the amount determined in accordance with section 1814(b)(2)."

(c) Section 1903(i) of such Act (as added by section 224(c) and amended by section 229(c) of this Act) is further amended by striking out the period at the end of paragraph (2) and inserting in lieu thereof "; or", and by adding after paragraph (2) the following new paragraph:

"(3) with respect to any amount expended for inpatient hospital services furnished under the plan to the extent that such amount exceeds the hospital's customary charges with respect to such services or (if such services are furnished under the plan by a public institution free of charge or at nominal charges to the public) exceeds an amount determined on the basis of those items (specified in regulations prescribed by the Secretary) included in the determination of such payment which the Secretary finds will provide fair compensation to such institution for such services."

(d) Section 506(f) of such Act (as added by section 224(d) and amended by section 229(d) of this Act) is further amended by striking out the period at the end of paragraph (2) and inserting in lieu thereof "; or", and by adding after paragraph (2) the following new paragraph:

"(3) with respect to any amount expended for inpatient hospital services furnished under the plan to the extent that such amount exceeds the hospital's customary charges with respect to such services or (if such services are furnished under the plan by a public institution free of charge or at nominal charges to the public) exceeds an amount determined on the basis of those items (specified in regulations prescribed by the Secretary) included in the determination of such payment which the Secretary finds will provide fair compensation to such institution for services."

(e) Clause (2) of the second sentence of section 509(a) of such Act (as amended by

section 221(c)(3) of this Act) is further amended by inserting "(A)" before "the reasonable cost", and by inserting after "under the project," the following: "or (B) if less, the customary charges with respect to such services provided under the project, or (C) if such services are furnished under the project by a public institution free of charge or at nominal charges to the public, an amount determined on the basis of those items (specified in regulations prescribed by the Secretary) included in the determination of such reasonable cost which the Secretary finds will provide fair compensation to such institution for such services".

(f) The amendments made by subsections (a) and (b) shall apply to services furnished by hospitals, extended care facilities, and home health agencies in accounting periods beginning after June 30, 1971. The amendments made by subsections (c), (d), and (e) shall apply with respect to services furnished by hospitals in accounting periods beginning after June 30, 1971.

INSTITUTIONAL PLANNING UNDER MEDICARE

SEC. 234. (a) The first sentence of section 1861(e) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (7);

(2) by redesignating paragraph (8) as paragraph (9); and

(3) by inserting after paragraph (7) the following new paragraph:

"(8) has in effect an overall plan and budget that meets the requirements of subsection (z); and".

(b) Section 1861(f)(2) of such Act is amended to read as follows:

"(2) satisfies the requirements of paragraphs (3) through (9) of subsection (a);".

(c) Section 1861(g)(2) of such Act is amended to read as follows:

"(2) satisfies the requirements of paragraphs (3) through (9) of subsection (a);".

(d) The first sentence of section 186(j) of such Act is amended—

(1) by striking out "and" at the end of paragraph (9);

(2) by redesignating paragraph (10) as paragraph (11); and

(3) by inserting after paragraph (9) the following new paragraph:

"(10) has in effect an overall plan and budget that meets the requirements of subsection (z); and".

(e) Section 1861(o) of such Act is amended—

(1) by striking out "and" at the end of paragraph (4);

(2) by redesignating paragraph (5) as paragraph (6); and

(3) by inserting after paragraph (4) the following new paragraph:

"(5) has in effect an overall plan and budget that meets the requirements of subsection (z); and".

(f) Section 1861 of such Act is further amended by adding at the end thereof the following new subsection:

"Institutional Planning

"(z) An overall plan and budget of a hospital, extended care facility, or home health agency shall be considered sufficient if it—

"(1) provides for an annual operating budget which includes all anticipated income and expenses related to items which would, under generally accepted accounting principles, be considered income and expense items (except that nothing in this paragraph shall require that there be prepared, in connection with any budget, an item-by-item identification of the components of each type of anticipated expenditure or income);

"(2) provides for a capital expenditures plan for at least a 3-year period (including the year to which the operating budget described in subparagraph (1) is applicable) which includes and identifies in detail the anticipated sources of financing for, and the objectives of, each anticipated expenditure in excess of $100,000 related to the acquisition of land, the improvement of land, buildings, and equipment, and the replacement, modernization, and expansion of buildings and equipment which would, under generally accepted accounting principles, be considered capital items;

"(3) provides for review and updating at least annually; and

"(4) is prepared, under the direction of the governing body of the institution or agency, by a committee consisting of representatives of the governing body, the administrative staff, and the medical staff (if any) of the institution or agency."

(g)(1) Section 1814(a)(2)(C) and section 1814(a)(2)(D) of such Act are each amended by striking out "and (8)" and inserting in lieu thereof "and (9)".

(2) Section 1863 of such Act is amended by striking out "subsections (e)(8), (f)(4), (g)(4), (j)(10), and (o)(5)" and inserting in lieu thereof "subsections (e)(9), (f)(4), (g)(4), (j)(11), and (o)(6)".

(h) Section 1865 of such Act is amended—

(1) by striking out "(except paragraph (6) thereof)" in the first sentence and inserting in lieu thereof "(except paragraphs (6) and (8) thereof)", and

(2) by striking out the second sentence and inserting in lieu thereof the following: "If such Commission, as a condition for accreditation of a hospital, (1) requires a utilization review plan as defined in section 1861(k) or imposes another requirement which serves substantially the same purpose, or (2) requires institutional plans as defined in section 1861(z) or imposes another requirement which serves substantially the same purpose, the Secretary is authorized to find that all institutions so accredited by the Commission comply also with section 1861(e)(6) or 1861(e)(8), as the case may be."

(i) The amendments made by this section shall apply with respect to any provider of services for fiscal years (of such provider) beginning after the fifth month following the month in which this Act is enacted.

PAYMENTS TO STATES UNDER MEDICAID FOR INSTALLATION AND OPERATION OF CLAIMS PROCESSING AND INFORMATION RETRIEVAL SYSTEMS

SEC. 235. (a) Section 1903(a) of the Social Security Act is amended by redesignating paragraph (3) as paragraph (4), and by inserting after paragraph (2) the following new paragraph:

"(3) an amount equal to—

"(A)(i) 90 per centum of so much of the sums expended during such quarter as are attributable to the design, development, or installation of such mechanized claims processing and information retrieval systems as the Secretary determines are likely to provide more efficient, economical, and effective administration of the plan and to be compatible with the claims processing and information retrieval systems utilized in the administration of title XVIII, including the State's share of the cost of installing such a system to be used jointly in the administration of such State's plan and the plan of any other State approved under this title, and

"(ii) 90 per centum of so much of the sums expended during any such quarter in the fiscal year ending June 30, 1972, or the fiscal year ending June 30, 1973, as are attributable to the design, development, or installation of cost determination systems for State-owned general hospitals (except that the total amount paid to all States under this clause for either such fiscal year shall not exceed $150,000), and

"(B) 75 per centum of so much of the sums expended during such quarter as are attributable to the operation of systems of the type described in subparagraph (A)(i) (whether or not designed, developed, or installed with assistance under such subparagraph) which are approved by the Secretary and which include provision for prompt written notice to each individual who is furnished services covered by the plan of the specific services so covered, the name of the person or persons furnishing the services, the date or dates on which the services were furnished, and the amount of the payment or payments made under the plan on account of the services; plus".

(b) The amendments made by subsection (a) shall apply with respect to expenditures under State plans approved until title XIX of the Social Security Act made after June 30, 1971.

PROHIBITION AGAINST REASSIGNMENT OF CLAIMS TO BENEFITS

SEC. 236. (a) Section 1842(b) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(5) No payment under this part for a service provided to any individual shall (except as provided in section 1870) be made to anyone other than such individual or (pursuant to an assignment described in subparagraph (B)(ii) of paragraph (3)) the physician or other person who provided the service, except that payment may be made (A) to the employer of such physician or other person if such physician or other person is required as a condition of his employment to turn over his fee for such service to his employer, or (B) (where the service was provided in a hospital, clinic, or other facility) to the facility in which the service was provided if there is a contractual arrangement between such physician or other person and such facility under which such facility submits the bill for such service."

(b) Section 1902(a) of such Act is amended—

(1) by striking out "and" at the end of paragraph (29);

(2) by striking out the period at the end of paragraph (30) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (30) the following new paragraph:

"(31) provide that no payment under the plan for any care or service provided to an individual by a physician, dentist, or other individual practitioner shall be made to anyone other than such individual or such physician, dentist, or practitioner, except that payment may be made (A) to the employer of such physician, dentist, or practitioner if such physician, dentist, or practitioner is required as a condition of his employment to turn over his fee for such care or service to his employer, or (B) (where the care or service was provided in a hospital, clinic, or other facility) to the facility in which the care or service was provided if there is a contractual arrangement between such physician, dentist, or practitioner and such facility under which such facility submits the bill for such care or service."

(c) The amendment made by subsection (a) shall apply with respect to bills submitted and requests for payments made after the date of the enactment of this Act. The amendments made by subsection (b) shall be effective July 1, 1972 (or earlier if the State plan so provides).

UTILIZATION REVIEW REQUIREMENTS FOR HOSPITALS AND SKILLED NURSING HOMES UNDER MEDICAID AND UNDER MATERNAL AND CHILD HEALTH PROGRAM

SEC. 237. (a)(1) Section 1903(i) of the Social Security Act (as added by section 224(c) and amended by sections 229(c) and 233(c) of this Act) is further amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; or", and by adding after paragraph (3) the following new paragraph:

"(4) with respect to any amount expended for care or services furnished under the plan

by a hospital or skilled nursing home unless such hospital or skilled nursing home has in effect a utilization review plan which meets the requirements imposed by section 1861(k) for purposes of title XVIII; and if such hospital or skilled nursing home has in effect such a utilization review plan for purposes of title XVIII, such plan shall serve as the plan required by this subsection (with the same standards and procedures and the same review committee or group) as a condition of payment under this title."

(2) Section 1902(a)(30) of such Act is amended by inserting "(including but not limited to utilization review plans as provided for in section 1903(1)(4))" after "plan" where it first appears.

(b) Section 506(f) of such Act (as added by section 224(d) and amended by sections 229(d) and 233(d) of this Act) is further amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; or", and by adding after paragraph (3) the following new paragraph:

"(4) with respect to any amount expended for services furnished under the plan by a hospital unless such hospital has in effect a utilization review plan which meets the requirement imposed by section 1861(k) for purposes of title XVIII; and if such hospital has in effect such a utilization review plan for the purposes of title XVIII, such plan shall serve as the plan required by this subsection (with the same standards and procedures and the same review committee or group) as a condition of payment under this title."

(c)(1) The amendments made by subsections (a)(1) and (b) shall apply with respect to services furnished in calendar quarters beginning after June 30, 1972.

(2) The amendment made by subsection (a)(2) shall be effective July 1, 1972.

NOTIFICATION OF UNNECESSARY ADMISSION TO A HOSPITAL OR EXTENDED CARE FACILITY UNDER MEDICARE

SEC. 238. (a) Section 1814(a)(7) of the Social Security Act is amended by striking out "as described in section 1861(k)(4)" and inserting in lieu thereof "as described in section 1861(k)(4), including any finding made in the course of a sample or other review of admissions to the institution".

(b) The amendment made by subsection (a) shall apply with respect to services furnished after the second month following the month in which this Act is enacted.

USE OF STATE HEALTH AGENCY TO PERFORM CERTAIN FUNCTIONS UNDER MEDICAID AND UNDER MATERNAL AND CHILD HEALTH PROGRAM

SEC. 239. (a) Section 1902(a)(9) of the Social Security Act is amended to read as follows:

"(9) provide—

"(A) that the State health agency, or other appropriate State medical agency (whichever is utilized by the Secretary for the purpose specified in the first sentence of section 1864(a)), shall be responsible for establishing and maintaining health standards for private or public institutions in which recipients of medical assistance under the plan may receive care or services, and

"(B) for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards, other than those relating to health, for such institutions;".

(b) Section 1902(a) of such Act (as amended by section 236(b) of this Act) is further amended—

(1) by striking out "and" at the end of paragraph (30);

(2) by striking out the period at the end of paragraph (31) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (31) the following new paragraph:

"(32) provide—

"(A) that the State health agency, or other appropriate State medical agency, shall be responsible for establishing a plan, consistent with regulations prescribed by the Secretary, for the review by appropriate professional health personnel of the appropriateness and quality of care and services furnished to recipients of medical assistance under the plan in order to provide guidance with respect thereto in the administration of the plan to the State agency established or designated pursuant to paragraph (5) and, where applicable, to the State agency described in the last sentence of this subsection; and

"(B) that the State or local agency utilized by the Secretary for the purpose specified in the first sentence of section 1864(a), or, if such agency is not the State agency which is responsible for licensing health institutions, the State agency responsible for such licensing, fill perform for the State agency administering or supervising the administration of the plan approved under this title the function of determining whether institutions and agencies meet the requirements for participation in the program under such plan."

(c) Section 505(a) of such Act is amended—

(1) by striking out "and" at the end of paragraph (13);

(2) by striking out the period at the end of paragraph (14) and inserting in lieu thereof "; and"; and

(3) by adding after paragraph (14) the following new paragraph:

"(15) provides—

"(A) that the State health agency, or other appropriate State medical agency, shall be responsible for establishing a plan, consistent with regulations prescribed by the Secretary, for the review by appropriate professional health personnel of the appropriateness and quality of care and services furnished to recipients of services under the plan and, where applicable, for providing guidance with respect thereto to the other State agency referred to in paragraph (2); and

"(B) that the State or local agency utilized by the Secretary for the purpose specified in the first sentence of section 1864(a), or, if such agency is not the State agency which is responsible for licensing health institutions, the State agency responsible for such licensing, will perform the function of determining whether institutions and agencies meet the requirements for participation in the program under the plan under this title."

(d) The amendments made by this section shall be effective July 1, 1972 (or earlier if the State plan so provides).

RELATIONSHIP BETWEEN MEDICAID AND COMPREHENSIVE HEALTH CARE PROGRAMS

SEC. 240. Section 1902(a)(23) of the Social Security Act is amended by adding after the semicolon at the end thereof the following: "and a State plan shall not be deemed to be out of compliance with the requirements of this paragraph or paragraph (1) or (10) solely by reason of the fact that the State (or any political subdivision thereof) has entered into a contract with an organization which has agreed to provide care and services in addition to those offered under the State plan to individuals eligible for medical assistance who reside in the geographic area served by such organization and who elect to obtain such care and services from such organization;".

PROGRAM FOR DETERMINING QUALIFICATIONS FOR CERTAIN HEALTH CARE PERSONNEL

SEC. 241. Title XI of the Social Security Act is amended by adding after section 1122 (as added by section 221(a) of this Act) the following new section:

"PROGRAM FOR DETERMINING QUALIFICATIONS FOR CERTAIN HEALTH CARE PERSONNEL

"SEC. 1123. (a) The Secretary, in carrying out his functions relating to the qualifications for health care personnel under title XVIII, shall develop (in consultation with appropriate professional health organizations and State health and licensure agencies) and conduct (in conjunction with State health and licensure agencies) a program designed to determine the proficiency of individuals (who do not otherwise meet the formal educational, professional membership, or other specific criteria established for determining the qualifications of practical nurses, therapists, laboratory technicians and technologists, X-ray technicians, psychiatric technicians, or other health care technicians) to perform the duties and functions of practical nurses, therapists, laboratory technicians and technologists, X-ray technicians, psychiatric technicians, or other health care technicians. Such program shall include (but not be limited to) the employment of procedures for the formal testing of the proficiency of individuals. In the conduct of such program, no individual who otherwise meets the proficiency requirements for any health care specialty shall be denied a satisfactory proficiency rating solely because of his failure to meet formal educational or professional membership requirements.

"(b) If any individual has been determined, under the program established pursuant to subsection (a), to be qualified to perform the duties and functions of any health care specialty, no person or provided utilizing the services of such individuals to perform such duties and functions shall be denied payment, under title XVIII or under any State plan approved under title XIX, for any health care services provided by such person on the grounds that such individual is not qualified to perform such duties and functions."

PENALTIES FOR FRAUDULENT ACTS AND FALSE REPORTING UNDER MEDICARE AND MEDICAID

SEC. 242. (a) Section 1872 of the Social Security Act is amended by striking out "208,".

(b) Title XVIII of the Social Security Act is amended by adding at the end thereof (after the new section added by section 226(a) of this Act) the following new section:

"PENALTIES

"SEC. 1877. (a) Whoever—

"(1) knowingly and willfully makes or causes to be made any false statement or representation of a material fact in any application for any benefit or payment under this title,

"(2) at any time knowingly and willfully makes or causes to be made any false statement or representation of a material fact for use in determining rights to any such benefit or payment,

"(3) having knowledge of the occurrence of any event affecting (A) his initial or continued right to any such benefit or payment, or (B) the initial or continued right to any such benefit or payment of any other individual in whose behalf he has applied for or is receiving such benefit or payment, conceals or fails to disclose such event with an intent fraudulently to secure such benefit or payment either in a greater amount or quantity than is due or when no such benefit or payment is authorized, or

"(4) having made application to receive any such benefit or payment for the use and benefit of another and having received it, knowingly and willfully converts such benefit or payment or any part thereof to a use other than for the use and benefit of such other person,

shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $10,000 or imprisoned for not more than one year, or both.

"(b) Any provider of services, supplier, physician, or other person who furnishes items or services to an individual for which payment is or may be made under this title and who solicits, offers, or receives any—

"(1) kickback or bribe in connection with the furnishing of such items or services or the making or receipt of such payment, or

"(2) rebate of any fee or charge for referring any such individual to another person for the furnishing of such items or services,

shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $10,000 or imprisoned for not more than one year, or both.

"(c) Whoever knowingly and willfully makes or causes to be made, or induces or seeks to induce the making of, any false statement or representation of a material fact with respect to the conditions or operation of any institution or facility in order that such institution or facility may qualify as a hospital, extended care facility, or home health agency (as those terms are defined in section 1861), shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $2,000 or imprisoned for not more than 6 months, or both."

(c) Title XIX of such Act is amended by adding after section 1908 the following new section:

"PENALTIES

"SEC. 1909. (a) Whoever—

"(1) knowingly and willfully makes or causes to be made any false statement or representation of a material fact in any application for any benefit or payment under a State plan approved under this title,

"(2) at any time knowingly and willfully makes or causes to be made any false statement or representation of a material fact for use in determining rights to such benefit or payment,

"(3) having knowledge of the occurrence of any event affecting (A) his initial or continued right to any such benefit or payment, or (B) the initial or continued right to any such benefit or payment of any other individual in whose behalf he has applied for or is receiving such benefit or payment, conceals or fails to disclose such event with an intent fraudulently to secure such benefit or payment either in a greater amount or quantity than is due or when no such benefit or payment is authorized, or

"(4) having made application to receive any such benefit or payment for the use and benefit of another and having received it, knowingly and willfully converts such benefit or payment or any part thereof to a use other than for the use and benefit of such other person,

shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $10,000 or imprisoned for not more than one year, or both.

"(b) Whoever furnishes items or services to an individual for which payment is or may be made in whole or in part out of Federal funds under a State plan approved under this title and who solicits, offers, or receives any—

"(1) kickback or bribe in connection with the furnishing of such items or services or the making or receipt of such payment, or

"(2) rebate of any fee or charge for referring any such individual to another person for the furnishing of such items or services

shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $10,000 or imprisoned for not more than one year, or both.

"(c) Whoever knowingly and willfully makes or causes to be made, or induces or seeks to induce the making of, any false statement or representation of a material fact with respect to the conditions or operation of any institution or facility in order that such institution or facility may qualify as a hospital, skilled nursing home, intermediate care facility, or home health agency (as those terms are employed in this title) shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $2,000 or imprisoned for not more than 6 months, or both."

(d) The provisions of amendments made by this section shall not be applicable to any acts, statements, or representations made or committed prior to the enactment of this Act.

PROVIDER REIMBURSEMENT REVIEW BOARD

SEC. 243. (a) Title XVIII of the Social Security Act is amended by adding at the end thereof (after the new sections added by section 226(a) and section 242(b) of this Act) the following new section:

"PROVIDER REIMBURSEMENT REVIEW BOARD

"SEC. 1878. (a) Any provider of services which has filed a required cost report within the time specified in regulations may obtain a hearing with respect to such cost report by a Provider Reimbursement Review Board (hereinafter referred to as the 'Board') which shall be established by the Secretary in accordance with subsection (g), if—

"(1) such provider is dissatisfied with a final determination of the organization serving as its fiscal intermediary pursuant to section 1816 as to the amount of total program reimbursement due the provider for the items and services furnished to individuals for which payment may be made under this title for the period covered by such report,

"(2) the amount in controversy is $10,000 or more, and

"(3) such provider files a request for a hearing within 180 days after notice of the intermediary's final determination under paragraph (1).

"(b) At such hearing, the provider of services shall have the right to be represented by counsel, to introduce evidence, and to examine and cross-examine witnesses. Evidence may be received at any such hearing even though inadmissable under rules of evidence applicable to court procedure.

"(c) A decision by the Board shall be based upon the record made at such hearing, which shall include the evidence considered by the intermediary and such other evidence as may be obtained or received by the Board, and shall be supported by substantial evidence when the record is viewed as a whole. The Board shall have the power to affirm, modify, or reverse a final determination of the fiscal intermediary with respect to a cost report and to make any other revisions on matters covered by such cost report (including revisions adverse to the provider of services) even though such matters were not considered by the intermediary in making such final determination.

"(d) The Board shall have full power and authority to make rules and establish procedures, not inconsistent with the provisions of this title, which are necessary or appropriate to carry out the provisions of this section. In the course of any hearing the Board may administer oaths and affirmations. The provisions of subsections (d), (e), and (f) of section 205 with respect to subpenas shall apply to the Board to the same extent as they apply to the Secretary with respect to title II.

"(e) A decision of the Board shall be final unless the Secretary, on his own motion, and within 60 days after the provider of services is notified of the Board's decision, reverses or modifies (adversely to such provider) the Board's decision. In any case where such a reversal or modification occurs the provider of services may obtain a review of such decision by a civil action commenced within 60 days of the date he is notified of the Secretary's reversal or modification. Such action shall be brought in the district court of the United States for the judicial district in which the provider is located or in the District Court for the District of Columbia and shall be tried pursuant to the applicable provisions under chapter 7 of title 5, United States Code, notwithstanding any other provisions in section 205.

"(f) The finding of a fiscal intermediary that no payment may be made under this title for any expenses incurred for items or services furnished to an individual because such items or services are listed in section 1862 shall not be reviewed by the Board, or by any court pursuant to an action brought under subsection (e).

"(g) The Board shall be composed of five members appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive services. Two of such members shall be representative of providers of services. All of the members of the Board shall be persons knowledgeable in the field of cost reimbursement, and at least one of them shall be a certified public accountant. Members of the Board shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding the rate specified (at the time the service involved is rendered by such members) for grade GS–18 in section 5332 of title 5, United States Code. The term of office shall be three years, except that the Secretary shall appoint the initial members of the Board for shorter terms to the extent necessary to permit staggered terms of office.

"(h) The Board is authorized to engage such technical assistance as may be required to carry out its functions, and the Secretary shall, in addition, make available to the Board such secretarial, clerical, and other assistance as the Board may require to carry out its functions."

(b) The first sentence of section 1816(a) of such Act is amended by striking out "subject to" in the parenthetical phrase and inserting in lieu thereof "subject to the provisions of section 1878 and to".

(c) The amendments made by this section shall apply with respect to cost reports of providers of services, as defined in title XVIII of the Social Security Act, for accounting periods beginning after June 30, 1971.

PART C—MISCELLANEOUS AND TECHNICAL PROVISIONS

Physical therapy services and other therapy services under Medicare

SEC. 251. (a)(1) Section 1861(p) of the Social Security Act is amended by adding at the end thereof (after and below paragraph (4)(B)) the following new sentence: "The term 'outpatient physical therapy services' also includes physical therapy services furnished an individual by a physical therapist (in his office or in such individual's home) who meets licensing and other standards prescribed by the Secretary in regulations, otherwise than under an arrangement with and under the supervision of a provider of services, clinic, rehabilitation agency, or public health agency, if the furnishing of such services meets such conditions relating to health and safety as the Secretary may find necessary."

(2) Section 1833 of such Act is amended by adding at the end thereof the following new subsection:

"(g) In the case of services described in the next to last sentence of section 1861(p), with respect to expenses incurred in any calendar year, no more than $100 shall be considered as incurred expenses for purposes of subsections (a) and (b)."

(3) Section 1833(a)(2) of such Act (as amended by section 233(b) of this Act) is further amended by striking out the period at the end of subparagraph (B) and inserting in lieu thereof "; or", and by adding after subparagraph (B) the following new subparagraph:

"(C) if such services are services to which the next to last sentence of section 1861(p) applies, the reasonable charges for such services."

(4) Section 1832(a)(2)(C) of such Act is amended by striking out "services." and inserting in lieu thereof "services, other than services to which the next to last sentence of section 1861(p) applies."

(b)(1) Section 1861(p) of such Act (as amended by subsection (a)(1) of this section) is further amended by adding at the end thereof the following new sentence: "In addition, such term includes physical therapy services which meet the requirements of the first sentence of this subsection except that they are furnished to an individual as an inpatient of a hospital or extended care facility."

(2) Section 1835(a)(2)(C) of such Act is amended by striking out "on an outpatient basis".

(c) Section 1861(v) of such Act (as amended by sections 221(c)(4) and 223(f) of this Act) is further amended by redesignating paragraphs (5) and (6) as paragraphs (6) and (7), respectively, and by inserting after paragraph (4) the following new paragraph:

"(5) Where physical therapy services, occupational therapy services, speech therapy services, or other therapy services or services of other health-related personnel (other than physicians) are furnished by a provider of services, or other organization specified in the first sentence of section 1861(p), or by others under an arrangement with such a provider or other organization, the amount included in any payment to such provider or organization under this title as the reasonable cost of such services shall not exceed an amount equal to the salary which would reasonably have been paid for such services to the person performing them if they had been performed in an employment relationship with such provider or organization (rather than under such arrangement) plus the cost of such other expenses incurred by such person not working as an employee, as the Secretary may in regulations determine to be appropriate."

(d)(1) The amendment made by subsection (a) shall apply with respect to services furnished on or after January 1, 1972.

(2) The amendments made by subsection (b) shall apply with respect to services furnished on or after the date of enactment of this Act.

(3) The amendments made by subsection (c) shall be effective with respect to accounting periods beginning on or after January 1, 1972.

COVERAGE OF SUPPLIES RELATED TO COLOSTOMIES

SEC. 252. (a) Section 1861(s)(8) of the Social Security Act is amended by inserting after "organ" the following: "(including colostomy bags and supplies directly related to colostomy care)".

(b) The amendment made by subsection (a) shall apply only with respect to items furnished on or after the date of the enactment of this Act.

COVERAGE OF PTOSIS BARS

SEC. 253. (a) Section 1861(s)(9) of the Social Security Act is amended by inserting "ptosis bars," after "neck braces,".

(b) The amendment made by subsection (a) shall apply only with respect to items furnished on or after the date of the enactment of this Act.

INCLUSION UNDER MEDICAID OF CARE IN INTERMEDIATE CARE FACILITIES

SEC. 254. (a)(1) Section 1905 (a) of the Social Security Act is amended—

(A) by striking out "and" at the end of clause (14).

(B) by adding "and" after the semicolon at the end of clause (15), and

(C) by inserting after clause (15) the following new clause:

"(16) intermediate care facility services (other than such services in an institution for tuberculosis or mental diseases) for individuals who are determined, in accordance with section 1902(a)(33)(A), to be in need of such care;".

(2) Section 1905 of such Act is amended by adding at the end thereof the following new subsections:

"(c) For purposes of this title the term 'intermediate care facility' means an institution or distinct part thereof which (1) is licensed under State law to provide, on a regular basis, health-related care and services to individuals who do not require the degree of care and treatment which a hospital or skilled nursing home is designed to provide, but who because of their mental or physical condition require care and services (above the level of room and board) which can be made available to them only through institutional facilities, (2) meets such standards prescribed by the Secretary as he finds appropriate for the proper provision of such care, and (3) meets such standards of safety and sanitation as are applicable to nursing homes under State law. The term 'intermediate care facility' also includes a Christian Science sanatorium operated, or listed and certified, by the First Church of Christ, Scientist, Boston, Massachusetts, but only with respect to institutional services deemed appropriate by the State. With respect to services furnished to individuals under age 65, the term 'intermediate care facility' shall not include, except as provided in subsection (d), any public institution or distinct part thereof for mental diseases or mental defects.

"(d) The term 'intermediate care facility services' may include services in a public institution (or distinct part thereof) for the mentally retarded or persons with related conditions if—

"(1) the primary purpose of such institution (or distinct part thereof) is to provide health or rehabilitative services for mentally retarded individuals and which meet such standards as may be prescribed by the Secretary;

"(2) the mentally retarded individual with respect to whom a request for payment is made under a plan approved under this title is receiving active treatment under such a program; and

"(3) the State or political subdivision responsible for the operation of such institution has agreed that the non-Federal expenditures with respect to patients in such institution (or distinct part thereof) will not be reduced because of payments made under this title."

(b) Section 1902(a) of such Act (as amended by sections 236(b) and 239(b) of this Act) is further amended—

(1) by striking out "and" at the end of paragraph (31);

(2) by striking out the period at the end of paragraph (32) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (32) the following new paragraph:

"(33) provide (A) for a regular program of independent professional review (including medical evaluation of each patient's need for intermediate care) and a written plan of service prior to admission or authorization of benefits in an intermediate care facility which provides more than a minimum level of health care services as determined under regulations of the Secretary; (B) for periodic inspections to be made in all such intermediate care facilities (if the State plan includes care in such institutions) within the State by one or more independent professional review teams (composed of physicians or registered nurses and other appropriate health and social service personnel) of (i) the care being provided in such intermediate care facilities to persons receiving assistance under the State plan, (ii) with respect to each of the patients receiving such care, the adequacy of the services available in particular intermediate care facilities to meet the current health needs and promote the maximum physical well-being of patients receiving care in such facilities, (iii) the necessity and desirability of the continued placement of such patients in such facilities, and (iv) the feasibility of meeting their health care needs through alternative institutional or noninstitutional services; and (C) for the making by such team or teams of full and complete reports of the findings resulting from such inspections, together with any recommendations to the State agency administering or supervising the administration of the State plan."

(c) Section 1121 of such Act is repealed.

(d) The amendments made by this section shall become effective January 1, 1972.

COVERAGE PRIOR TO APPLICATION FOR MEDICAL ASSISTANCE

SEC. 255. (a) Section 1902(a) of the Social Security Act (as amended by sections 236(b), 239(b), and 254(b) of this Act) is further amended—

(1) by striking out "and" at the end of paragraph (32);

(2) by striking out the period at the end of paragraph (33) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (33) the following new paragraph:

"(34) provide that in the case of any individual who has been determined to be eligible for medical assistance under the plan, such assistance will be made available to him for care and services included under the plan and furnished in or after the third month before the month in which he made application for such assistance if such individual was (or upon application would have been) eligible for such assistance at the time such care and services were furnished."

(b) The amendments made by subsection (a) shall be effective July 1, 1972.

HOSPITAL ADMISSIONS FOR DENTAL SERVICES UNDER MEDICARE

SEC. 256. (a) Section 1814(a)(2) of the Social Security Act is amended by striking out "or" at the end of subparagraph (C), by adding "or" after the semicolon at the end of subparagraph (D), and by inserting after subparagraph (D) the following new subparagraph:

"(E) in the case of inpatient hospital services in connection with a dental procedure, the individual suffers from impairments of such severity as to require hospitalization;".

(b) Section 1861(r) of such Act is amended by inserting after "or any facial bone," the following: "or (C) the certification required by section 1814(a)(2)(E) of this Act,".

(c) Section 1862(a)(12) of such Act is amended by inserting before the semicolon the following: ", except that payment may be made under part A in the case of inpatient hospital services in connection with a dental procedure where the individual suffers from impairments of such severity as to require hospitalization".

(d) The amendments made by this section shall apply with respect to admissions occurring after the second month following the month in which this Act is enacted.

EXTENSION OF GRACE PERIOD FOR TERMINATION OF SUPPLEMENTARY MEDICAL INSURANCE COVERAGE WHERE FAILURE TO PAY PREMIUMS IS DUE TO GOOD CAUSE

SEC. 257. (a) Section 1838(b) of the Social Security Act is amended by striking out "(not in excess of 90 days)" in the third sentence, and by adding at the end thereof the following new sentence: "The grace period determined under the preceding sentence shall not exceed 90 days; except that it may be extended to not to exceed 180 days in any case where the Secretary determines that there was good cause for failure to pay the overdue premiums within such 90-day period."

(b) The amendments made by subsection (a) shall apply with respect to nonpayment of premiums which become due and payable

on or after the date of the enactment of this Act or which became payable within the 90-day period immediately preceding such date; and for purposes of such amendments any premium which became due and payable within such 90-day period shall be considered a premium becoming due and payable on the date of the enactment of this Act.

EXTENSION OF TIME FOR FILING CLAIM FOR SUPPLEMENTARY MEDICAL INSURANCE BENEFITS WHERE DELAY IS DUE TO ADMINISTRATIVE ERROR

SEC. 258. (a) Section 1842(b)(3) of the Social Security Act (as amended by section 224(a) of this Act) is further amended by adding at the end thereof the following new sentence: "The requirement in subparagraph (B) that a bill be submitted or request for payment be made by the close of the following calendar year shall not apply if (i) failure to submit the bill or request the payment by the close of such year is due to the error or misrepresentation of an officer, employee, fiscal intermediary, carrier, or agent of the Department of Health, Education, and Welfare performing functions under this title and acting within the scope of his or its authority, and (ii) the bill is submitted or the payment is requested promptly after such error or misrepresentation is eliminated or corrected."

(b) The amendment made by subsection (a) shall apply with respect to bills submitted and requests for payment made after March 1968.

WAIVER OF ENROLLMENT PERIOD REQUIREMENTS WHERE INDIVIDUAL'S RIGHTS WERE PREJUDICED BY ADMINISTRATIVE ERROR OR INACTION

SEC. 259. (a) Section 1837 of the Social Security Act (after the new subsections added by section 206(a) of this Act) is amended by adding at the end thereof the following new subsection:

"(h) In any case where the Secretary finds that an individual's enrollment or nonenrollment in the insurance program established by this part is unintentional, inadvertent, or erroneous and is the result of the error, misrepresentation, or inaction of an officer, employee, or agent of the Department of Health, Education, and Welfare, the Secretary may take such action (including the designation for such individual of a special initial or subsequent enrollment period, with a coverage period determined on the basis thereof and with appropriate adjustments of premiums) as may be necessary to correct or eliminate the effects of such error, misrepresentation, or inaction."

(b) The amendment made by subsection (a) shall be effective as of July 1, 1966.

ELIMINATION OF PROVISIONS PREVENTING ENROLLMENT IN SUPPLEMENTARY MEDICAL INSURANCE PROGRAM MORE THAN THREE YEARS AFTER FIRST OPPORTUNITY

SEC. 260. Section 1837(b) of the Social Security Act is amended to read as follows:

"(b) No individual may enroll under this part more than twice."

WAIVER OF RECOVERY OF INCORRECT PAYMENTS FROM SURVIVOR WHO IS WITHOUT FAULT UNDER MEDICARE

SEC. 261. (a) Section 1870(c) of the Social Security Act is amended by striking out "and where" and inserting in lieu thereof the following: "or where the adjustment (or recovery) would be made by decreasing payments to which another person who is without fault is entitled as provided in subsection (b)(4), if".

(b) The amendment made by subsection (a) shall apply with respect to waiver actions considered after the date of the enactment of this Act.

REQUIREMENT OF MINIMUM AMOUNT OF CLAIM TO ESTABLISH ENTITLEMENT TO HEARING UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 262. (a) Section 1842(b)(3)(C) of the Social Security Act is amended by inserting after "a fair hearing by the carrier" the following: ", in any case where the amount in controversy is $100 or more,".

(b) The amendment made by subsection (a) shall apply with respect to hearings requested (under the procedures established under section 1842(b)(3)(C) of the Social Security Act) after the date of the enactment of this Act.

COLLECTION OF SUPPLEMENTARY MEDICAL INSURANCE PREMIUMS FROM INDIVIDUALS ENTITLED TO BOTH SOCIAL SECURITY AND RAILROAD RETIREMENT BENEFITS

SEC. 263. (a) Section 1840(a)(1) of the Social Security Act is amended by striking out "subsection (d)" and inserting in lieu thereof "subsections (b)(1) and (c)".

(b) Section 1840(b)(1) of such Act is amended by inserting "(whether or not such individual is also entitled for such month to a monthly insurance benefit under section 202)" after "1937", and by striking out "subsection (d)" and inserting in lieu thereof "subsection (c)".

(c) Section 1840 of such Act is further amended by striking out subsection (c), and by redesignating subsections (d) through (i) as subsections (c) through (h), respectively.

(d)(1) Section 1840(e) of such Act (as so redesignated) is amended by striking out "subsection (d)" and inserting in lieu thereof "subsection (c)".

(2) Section 1840(f) of such Act (as so redesignated) is amended by striking out "subsection (d) or (f)" and inserting in lieu thereof "subsection (c) or (e)".

(3) Section 1840(h) of such Act (as so redesignated) is amended by striking out "(c), (d), and (e)" and inserting in lieu thereof "(c), and (d)".

(4) Section 1841(h) of such Act is amended by striking out "1840(e)" and inserting in lieu thereof "1840(d)".

(5) Section 1842 of such Act is amended by adding at the end thereof the following new subsection:

"(g) The Railroad Retirement Board shall, in accordance with such regulations as the Secretary may prescribe, contract with a carrier or carriers to perform the functions set out in this section with respect to individuals entitled to benefits as qualified railroad retirement beneficiaries pursuant to section 226(a) of this Act and section 21(b) of the Railroad Retirement Act of 1937."

(e) Section 1841 of such Act is amended by adding at the end thereof the following new subsection:

"(i) The Managing Trustee shall pay from time to time from the Trust Fund such amounts as the Secretary of Health, Education, and Welfare certifies are necessary to pay the costs incurred by the Railroad Retirement Board for services performed pursuant to section 1840(b)(1) and section 1842(g). During each fiscal year or after the close of such fiscal year, the Railroad Retirement Board shall certify to the Secretary the amount of the costs it incurred in performing such services and such certified amount shall be the basis for the amount of such costs certified by the Secretary to the Managing Trustee."

(f) The amendments made by this section with respect to collection of premiums shall apply to premiums becoming due and payable after the fourth month following the month in which this Act is enacted.

PROSTHETIC LENSES FURNISHED BY OPTOMETRISTS UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 264. (a) Section 1861(r) of the Social Security Act (as amended by sections 211(c)(2) and 256(b) of this Act) is further amended (1) by striking out "or (3)" and inserting in lieu thereof "(3)", and (2) by inserting before the period at the end thereof the following: ", or (4) a doctor of optometry who is legally authorized to practice optometry by the State in which he performs such function, but only with respect to establishing the necessity for prosthetic lenses".

(b) The amendment made by subsection (a) shall apply only with respect to services performed on or after the date of the enactment of this Act.

PROVISION OF MEDICAL SOCIAL SERVICES NOT MANDATORY FOR EXTENDED CARE FACILITIES

SEC. 265. Section 1861(j)(11) of the Social Security Act (as redesignated by section 234(d) of this Act) is amended by inserting before the semicolon at the end thereof the following: ", except that the Secretary shall not require as a condition of participation that medical social services be furnished in any such institution".

REFUND OF EXCESS PREMIUMS UNDER MEDICARE

SEC. 266. Section 1870 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(g) If an individual, who is enrolled under section 1818(c) of the Social Security Act or under section 1837, dies, and premiums with respect to such enrollment have been received with respect to such individual for any month after the month of his death, such premiums shall be refunded to the person or persons determined by the Secretary under regulations to have paid such premiums or if payment for such premiums was made by the deceased individual before his death, to the legal representative of the estate of such deceased individual, if any. If there is no person who meets the requirements of the preceding sentence such premiums shall be refunded to the person or persons in the priorities specified in paragraphs (2) through (7) of subsection (e)."

WAIVER OF REQUIREMENT OF REGISTERED PROFESSIONAL NURSES IN SKILLED NURSING HOMES IN RURAL AREAS UNDER MEDICAID

SEC. 267. Section 1902(a)(28)(B) of the Social Security Act is amended by adding after the semicolon at the end thereof the following:

"except that the State agency with the approval of the Secretary is authorized to waive the requirement of this subparagraph for any one-year period (or less) ending no later than December 31, 1975, with respect to any skilled nursing home where immediately preceding such period the Secretary finds that—

"(i) such nursing home is located in a rural area and the supply of skilled nursing home services in such area is not sufficient to meet the needs of individuals residing therein, and

"(ii) the failure of such nursing home to qualify as skilled nursing home would seriously reduce the availability of such services to beneficiaries in such area; and

"(iii) such nursing home has made and continues to make a good faith effort to comply with this subparagraph, but such compliance is impeded by the lack of qualified nursing personnel in such area; and

"(iv) the requirements of this subparagraph were met for a regular daytime shift."

EXEMPTION OF CHRISTIAN SCIENCE SANATORIUMS FROM CERTAIN NURSING HOME REQUIREMENTS UNDER MEDICAID

SEC. 268. (a) Section 1902(a) of the Social Security Act (as amended by section 544(11) of this Act) is amended by adding at the end thereof the following new sentence: "For purposes of paragraphs (9)(A), (26), (28)(B), (D), and (E), (29), and (32), and of section 1903(i)(4), the terms 'skilled nursing home' and 'nursing home' do not include a Christian Science sanatorium operated, or listed and certified, by the First Church of Christ, Scientist, Boston, Massachusetts."

(b) Section 1908(g)(1) of such Act is amended by inserting after "Secretary" the following: ", but does not include a Christian Science sanatorium operated, or listed and certified, by the First Church of Christ, Scientist, Boston, Massachusetts".

(c) The amendments made by this section shall be effective on the date of the enactment of this Act.

REQUIREMENTS FOR NURSING HOME ADMINISTRATORS

SEC. 269. Section 1908(d) of the Social Security Act is amended by striking out "No State" and inserting in lieu thereof the following: "No State shall be considered to have failed to comply with the provisions of section 1902(a)(29) because the agency or board of such State (established pursuant to subsection (b)) shall have granted any waiver, with respect to any individual who, during all of the three calendar years immediately preceding the calendar year in which the requirements prescribed in section 1902(a)(29) are first met by the State, has served as a nursing home administrator, of any of the standards developed, imposed, and enforced by such agency or board pursuant to subsection (c). No State".

TERMINATION OF NATIONAL ADVISORY COUNCIL ON NURSING HOME ADMINISTRATION

SEC. 270. Section 1908(f)(5) of the Social Security Act is amended by striking out "as of December 31, 1971" and inserting in lieu thereof "30 days after the date of the enactment of the Social Security Amendments of 1971".

INCREASE IN LIMITATION ON PAYMENTS TO PUERTO RICO FOR MEDICAL ASSISTANCE

SEC. 271. (a) Section 1108(c)(1) of the Social Security Act is amended by striking out "$20,000,000" and inserting in lieu thereof "$30,000,000".

(b) The amendment made by subsection (a) shall apply with respect to fiscal years beginning after June 30, 1971.

EXTENSION OF TITLE V TO AMERICAN SAMOA AND THE TRUST TERRITORY OF THE PACIFIC ISLANDS

SEC. 272. (a) Section 1101(a)(1) of the Social Security Act is amended by adding at the end thereof the following new sentence: "Such term when used in title V also includes American Samoa and the Trust Territory of the Pacific Islands."

(b) Section 1108(d) of such Act is amended by inserting, after "allot such smaller amount to Guam", the following: ", American Samoa, and the Trust Territory of the Pacific Islands".

(c) The amendments made by this section shall apply with respect to fiscal years beginning after June 30, 1971.

STUDY OF CHIROPRACTIC COVERAGE

SEC. 273. The Secretary, utilizing the authority conferred by section 1110 of the Social Security Act, shall conduct a study of the coverage of services performed by chiropractors under State plans approved under title XIX of such Act in order to determine whether and to what extent such services should be covered under the supplementary medical insurance program under part B of title XVIII of such Act, giving particular attention to the limitations which should be placed upon any such coverage and upon payment therefor. Such study shall include one or more experimental, pilot, or demonstration projects designed to assist in providing under controlled conditions the information necessary to achieve the objectives of the study. The Secretary shall report the results of such study to the Congress within two years after the date of the enactment of this Act, together with his findings and recommendations based on such study (and on such other information as he may consider relevant concerning experience with the coverage of chiropractors by public and private plans).

MISCELLANEOUS TECHNICAL AND CLERICAL AMENDMENTS

SEC. 274. (a) Clause (A) of section 1902(a)(26) of the Social Security Act is amended by striking out "evaluation" and inserting in lieu thereof "evaluation)", and by striking out "care)" and inserting in lieu thereof "care".

(b) Section 1908(d) of such Act is amended by striking out "subsection (b)(1)" and inserting in lieu thereof "subsection (c)(1)".

TITLE III—ASSISTANCE FOR THE AGED, BLIND, AND DISABLED

ESTABLISHMENT OF PROGRAM

SEC. 301. The Social Security Act is amended by adding at the end thereof the following new title:

"TITLE XX—ASSISTANCE FOR THE AGED, BLIND, AND DISABLED

"PURPOSE; APPROPRIATIONS

"SEC. 2001. For the purpose of establishing a national program to provide financial assistance to needy individuals who have attained age 65 or are blind or disabled, there are authorized to be appropriated sums sufficient to carry out this title.

"BASIC ELIGIBILITY FOR BENEFITS

"SEC. 2002. Every aged, blind, or disabled individual who is determined under part A to be eligible on the basis of his income and resources shall, in accordance with and subject to the provisions of this title, be paid benefits by the Secretary of Health, Education, and Welfare.

"PART A—DETERMINATION OF BENEFITS

"ELIGIBILITY FOR AND AMOUNT OF BENEFITS

"Definition of Eligible Individual

"SEC. 2011. (a)(1) Each aged, blind, or disabled individual who does not have an eligible spouse and—

"(A) whose income, other than income excluded pursuant to section 2012(b), is at a rate of not more than—

"(i) $780 for the 6-month period ending December 31, 1972,

"(ii) $780 for the 6-month period ending June 30, and $840 for the 6-month period ending December 31, in the calendar year 1973,

"(iii) $840 for the 6-month period ending June 30, and $900 for the 6-month period ending December 31, in the calendar year 1974, or

"(iv) $1,800 for the calendar year 1975 or any calendar year thereafter, and

"(B) whose resources, other than resources excluded pursuant to section 2013(a), are not more than $1,500,

shall be an eligible individual for purposes of this title.

"(2) Each aged, blind, or disabled individual who has an eligible spouse and—

"(A) whose income (together with the income of such spouse), other than income excluded pursuant to section 2012(b), is at a rate of not more than—

"(i) $1,170 for the 6-month period ending December 31, 1972,

"(ii) $1,170 for the 6-month period ending June 30, and $1,200 for the 6-month period ending December 31, in the calendar year 1973, or

"(iii) $2,400 for the calendar year 1974 or any calendar year thereafter, and

"(B) whose resources (together with the resources of such spouse), other than resources excluded pursuant to section 2013(a), are not more than $1,500, shall be an eligible individual for purposes of this title.

"Amount of Benefits

"(b)(1) The benefit under this title for an individual who does not have an eligible spouse shall be payable at the rate of—

"(A) $780 for the 6-month period ending December 31, 1972,

"(B) $780 for the 6-month period ending June 30, and $840 for the 6-month period ending December 31, in the calendar year 1973,

"(C) $840 for the 6-month period ending June 30, and $900 for the 6-month period ending December 31, in the calendar year 1974, and

"(D) $1,800 for the calendar year 1975 or any calendar year thereafter,

reduced by the amount of income, not excluded pursuant to section 2012(b), of such individual.

"(2) The benefit under this title for an individual who has an eligible spouse shall be payable at the rate of—

"(A) $1,170 for the 6-month period ending December 31, 1972,

"(B) $1,170 for the 6-month period ending June 30, and $1,200 for the 6-month period ending December 31, in the calendar year 1973, and

"(C) $2,400 for the calendar year 1974 or any calendar year thereafter,

reduced by the amount of income, not excluded pursuant to section 2012(b), of such individual and spouse.

"Period for Determination of Benefits

"(c)(1) An individual's eligibility for benefits under this title and the amount of such benefits shall be determined for each quarter of a calendar year. Eligibility for and the amount of such benefits for any quarter shall be redetermined at such time or times as may be provided by the Secretary, such redetermination to be effective prospectively.

"(2) The Secretary shall by regulation prescribe the cases in which and extent to which the amount of a benefit under this title for any quarter shall be reduced by reason of time elapsed since the beginning of such quarter and before the date of filing of the application for the benefit.

"(3) For purposes of this subsection an application shall be considered to have been filed on the first day of the month in which it was actually filed.

"Special Limits on Gross Income

"'(d) The Secretary may prescribe the circumstances under which, consistently with the purposes of this title, the gross income from a trade or business (including farming) will be considered sufficiently large to make an individual eligible for benefits under this title. For purposes of this subsection, the term 'gross income' has the same meaning as when used in chapter 1 of the Internal Revenue Code of 1954.

"Limitation on Eligibility of Certain Individuals

"(e)(1)(A) Except as provided in subparagraph (B), no person shall be an eligible individual or eligible spouse for purposes of this title with respect to any month if throughout such month he is an inmate of a public institution.

"(B) In any case where an eligible individual or his eligible spouse (if any) is, throughout any month, in a hospital, extended care facility, nursing home, or intermediate care facility receiving payments (with respect to such individual or spouse) under a State plan approved under title XIX, the benefit under this title for such individual for such month shall be payable—

"(i) at a rate not in excess of $300 per year (reduced by the amount of any income not excluded pursuant to section 2012(b))

in the case of an individual who does not have an eligible spouse;

"(ii) at a rate not in excess of the sum of the applicable rate specified in subsection (b)(1) and the rate of $300 per year (reduced by the amount of any income not excluded pursuant to section 2012(b)) in the case of an individual who has an eligible spouse, if only one of them is in such a hospital, home, or facility throughout such month; and

"(iii) at a rate not in excess of $600 per year (reduced by the amount of any income not excluded pursuant to section 2012(b)) in the case of an individual who has an eligible spouse, if both of them are in such a hospital, home, or facility throughout such month.

"(2) No person shall be an eligible individual or eligible spouse for purposes of this title if, after notice to such person by the Secretary that it is likely that such person is eligible for any payments of the type enumerated in section 2012(a)(2)(B), such person fails within 30 days to take all appropriate steps to apply for and (if eligible) obtain any such payments.

"(3)(A) No person who is an aged, blind, or disabled individual solely by reason of disability (as determined under section 2014(a)(3)) shall be an eligible individual or eligible spouse for purposes of this title with respect to any month if such disability is determined by the Secretary to be the result in whole or in part of drug abuse or alcohol abuse unless such person is undergoing any treatment that may be appropriate for such abuse at an institution or facility approved for purposes of this paragraph by the Secretary (so long as such treatment is available) and demonstrates that he is complying with the terms, conditions, and requirements of such treatment and with requirements imposed by the Secretary under subparagraph (B).

"(B) The Secretary shall provide for the monitoring and testing of all individuals who are receiving benefits under this title and who as a condition of such benefits are required to be undergoing treatment and complying with the terms, conditions, and requirements thereof as described in subparagraph (A), in order to assure such compliance and to determine the extent to which the imposition of such requirement is contributing to the achievement of the purposes of this title. The Secretary shall annually submit to the Congress a full and complete report on his activities under this paragraph.

"(C) As used in subparagraph (A), the trem 'drug abuse' means abuse of a controlled substance within theh meaning of section 102 of the Controlled Substances Act; and the term 'alcohol abuse' means alcohol abuse or alcoholism within the meaning of section 247 of the Community Mental Health Centers Act.

"Suspension of Payments to Individuals Who are Outside the United States

"(f) Notwithstanding any other provision of this title, no individual shall be considered an eligible individual for purposes of this title for any month during all of which such individual is outside the United States (and no person shall be considered the eligible spouse of an individual for purposes of this title with respect to any month during all of which such person is outside the United States). For purposes of the preceding sentence, after an individual has been outside the United States for any period of 30 consecutive days, he shall be treated as remaining outside the United States until he has been in the United States for a period of 30 consecutive days.

"Puerto Rico, the Virgin Islands, and Guam

"(g) For special provisions applicable to Puerto Rico, the Virgin Islands, and Guam, see section 1108(e).

"INCOME

"Meaning of Income

"SEC. 2012. (a) For purposes of this title, income means both earned income and unearned income; and—

"(1) earned income means only—

"(A) wages as determined under section 203(f)(5)(C); and

"(B) net earnings from self-employment, as defined in section 211 (without the application of the second and third sentences following clause (C) of subsection (a)(9), and the last paragraph of subsection (a)), including earnings for services described in paragraphs (4), (5), and (6) of subseciton (c); and

"(2) unearned income means all other income, including—

"(A) support and maintenance furnished in cash or kind; except that in the case of any individual (and his eligible spouse, if any) living in another person's household and receiving support and maintenance in kind from such person, the dollar amounts otherwise applicable to such individual (and spouse) as specified in subsections (a) and (b) of section 2011 shall be reduced by 33⅓ percent in lieu of including such support and maintenance in the unearned income of such individual (and spouse) as otherwise required by this subparagraph;

"(B) any payments received as an annuity, pension, retirement, or disability benefit, including veterans' compensation and pensions, workmen's compensation payments, old-age, survivors, and disability insurance benefits, railroad retirement annuities and pensions, and unemployment insurance benefits;

"(C) prizes and awards;

"(D) the proceeds of any life insurance policy to the extent that they exceed the amount expended by the beneficiary for purposes of the insured individual's last illness and burial or $1,500 whichever is less;

"(E) gifts (cash or otherwise), support and alimony payments, and inheritances; and

"(F) rents, dividends, interest, and royalties.

"Exclusions From Income

"(b) In determining the income of an individual (and his eligible spouse) there shall be excluded—

"(1) subject to limitations (as to amount or otherwise) prescribed by the Secretary, if such individual is a child who is, as determined by the Secretary, a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment, the earned income of such individual;

"(2)(A) the total unearned income of such individual (and such spouse, if any) in a calendar quarter which, as determined in accordance with criteria prescribed by the Secretary, is received too infrequently or irregularly to be included, if such income so received does not exceed $60 in such quarter, and (B) the total earned income of such individual (and such spouse, if any) in a calendar quarter which, as determined in accordance with such criteria, is received too infrequently or irregularly to be included, if such income so received does not exceed $30 in such quarter;

"(3)(A) if such individual (or such spouse) is blind (and has not attained age 65, or received benefits under this title (or aid under a State plan approved under section 1002 or 1602) for the month before the month in which he attained age 65), (i) the first $1,020 per year (or proportionately smaller amounts for shorter perods) of earned income not excluded by the preceding paragraphs of this subsection, plus one-half of the remainder thereof, (ii) an amount equal to any expenses reasonably attributable to the earning of any income, and (iii) such additional amounts of other income, where such individual has a plan for achieving self-support approved by the Secretary, as may be necessary for the fulfillment of such plan,

"(B) if such individual (or such spouse) is disabled but not blind (and has not attained age 65, or received benefits under this title (or aid under a State plan approved under section 1402, or 1602) for the month before the month in which he attained age 65), (i) the first $1,020 per year (or proportionately smaller amounts for shorter periods) of earned income not excluded by the preceding paragraphs of this subsection, plus one-half of the remainder thereof, and (ii) such additional amounts of other income, where such individual has a plan for achieving self-support approved by the Secretary, as may be necessary for the fulfillment of such plan, or

"(C) if such individual (or such spouse) has attained age 65 and is not included under subparagraph (A) or (B), the first $720 per year (or proportionately smaller amounts for shorter periods) of earned income not excluded by the preceding paragraphs of this subsection, plus one-third of the remainder thereof;

"(4) subject to section 2016, any assistance (except veterans' pensions) which is based on need and furnished by any State or political subdivision of a State or any Federal agency, or by any private agency or organization exempt from taxation under section 501(a) of the Internal Revenue Code of 1954 as an organization described in section 501(c)(3) or (4) of such Code;

"(5) any portion of any grant, scholarship, or fellowship received for use in paying the cost of tuition and fees at any educational (including technical or vocational education) institution;

"(6) home produce of such individual (or spouse) utilized by the household for its own consumption;

"(7) if such individual is a child, one-third of any payment for his support received from an absent parent; and

"(8) any amounts received for the foster care of a child who is not an eligible individual but who is living in the same home as such individual and was placed in such home by a public or nonprofit private child-placement or child-care agency.

"(c) For provisions relating to additional disregarding of income, see section 1007 of the Social Security Amendments of 1969 and section 2016(c)(1) of this Act.

"RESOURCES

"Exclusions From Resources

"SEC. 2013. (a) In determining the resources of an individual (and his eligible spouse, if any) there shall be excluded—

"(1) the home, to the extent that its value does not exceed such amount as the Secretary determines to be reasonable;

"(2) household goods and personal effects, to the extent that their total value does not exceed such amount as the Secretary determines to be reasonable;

"(3) other property which, as determined in accordance with and subject to limitations prescribed by the Secretary, is so essential to the means of self-support of such individual (and such spouse) as to warrant its exclusion; and

"(4) such resources of an individual who is blind or disabled and who has a plan for achieving self-support approved by the Secretary, as may be necessary for the fulfillment of such plan.

In determining the resources of an individual (or eligible spouse) an insurance policy shall be taken into account only to the extent of its cash surrender value; except that if the total face value of all life insurance policies on any person is $1,500 or less, no part of the value of any such policy shall be taken into account.

"Disposition of Resources

"(b) The Secretary shall prescribe the period or periods of time within which, and the manner in which, various kinds of property must be disposed of in order not to be included in determining an individual's eligibility for benefits. Any portion of the individual's benefits paid for any such period shall be conditioned upon such disposal; and any benefits so paid shall (at the time of the disposal) be considered overpayments to the extent they would not have been paid had the disposal occurred at the beginning of the period for which such benefits were paid.

"MEANING OF TERMS

"Aged, Blind, or Disabled Individual

"SEC. 2014. (a)(1) For purposes of this title, the term 'aged, blind, or disabled individual' means an individual who—

"(A) is 65 years of age or older, is blind (as determined under paragraph (2)), or is disabled (as determined under paragraph (3)), and

"(B) is a resident of the United States, and is either (i) a citizen or (ii) an alien lawfully admitted for permanent residence.

"(2) An individual shall be considered to be blind for purposes of this title if he has central visual acuity of 20/200 or less in the better eye with the use of a correcting lens. An eye which is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees shall be considered for purposes of the first sentence of this subsection as having a central visual acuity of 20/200 or less. An individual shall also be considered to be blind for purposes of this title if he is blind as defined under a State plan approved under title X or XVI as in effect prior to the enactment of this subsection and received aid under such plan (on the basis of blindness) for June 1972, so long as he is continuously blind as so defined.

"(3)(A) An individual shall be considered to be disabled for purposes of this title if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months (or, in the case of a child under the age of 18, if he suffers from any medically determinable physical or mental impairment of comparable severity). An individual shall also be considered to be disabled for purposes of this title if he is permanently and totally disabled as defined under a State plan approved under title XIV or XVI as in effect prior to the enactment of this subsection and received aid under such plan (on the basis of disability) for June 1972, so long as he is continuously disabled as so defined.

"(B) For purposes of subparagraph (A) (except with respect to a child under the age of 18), an individual shall be determined to be under a disability only if his physical or mental impairment or impairments are of such severity that he is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the immediate area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work. For purposes of the preceding sentence (with respect to any individual), 'work which exists in the national economy' means work which exists in significant numbers either in the region where such individual lives or in several regions of the country.

"(C) For purposes of this paragraph, a physical or mental impairment is an impairment that results from anatomical, physiological, or psychological abnormalities which are demonstrable by medically acceptable clinical and laboratory diagnostic techniques.

"(D) The Secretary shall by regulations prescribe the criteria for determining when services performed or earnings derived from services demonstrate an individual's ability to engage in substantial gainful activity. Notwithstanding the provisions of subparagraph (B), an individual whose services or earnings meet such criteria, except for purposes of paragraph (4), shall be found not to be disabled.

"(4)(A) For purposes of this title, any services rendered during a period of trial work (as defined in subparagraph (B)) by an individual who is an aged, blind, or disabled individual solely by reason of disability (as determined under paragraph (3) of this subsection) shall be deemed not to have been rendered by such individual in determining whether his disability has ceased in a month during such period. As used in this paragraph, the term 'services' means activity which is performed for remuneration or gain or is determined by the Secretary to be of a type normally performed for remuneration or gain.

"(B) The term 'period of trial work', with respect to an individual who is an aged, blind, or disabled individual solely by reason of disability (as determined under paragraph (3) of this subsection), means a period of months beginning and ending as provided in subparagraphs (C) and (D).

"(C) A period of trial work for any individual shall begin with the month in which he becomes eligible for benefits under this title on the basis of his disability; but no such period may begin for an individual who is eligible for benefits under this title on the basis of a disability if he has had a previous period of trial work while eligible for benefits on the basis of the same disability.

"(D) A period of trial work for any individual shall end with the close of whichever of the following months is the earlier:

"(i) the ninth month, beginning on or after the first day of such period, in which the individual renders services (whether or not such nine months are consecutive); or

"(ii) the month in which his disability (as determined under paragraph (3) of this subsection) ceases (as determined after the application of subparagraph (A) of this paragraph).

"Eligible Spouse

"(b) For purposes of this title, the term 'eligible spouse' means an aged, blind, or disabled individual who is the husband or wife of another aged, blind, or disabled individual. If two aged, blind, or disabled individuals are husband and wife as described in the preceding sentence, only one of them may be an 'eligible individual' within the meaning of section 2011(a).

"Definition of Child

"(c) For purposes of this title, the term 'child' means an individual who is neither married nor (as determined by the Secretary) the head of a household, and who is (1) under the age of eighteen, or (2) under the age of twenty-two and (as determined by the Secretary) a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment.

"Determination of Marital Relationships

"(d) In determining whether two individuals are husband and wife for purposes of this title, appropriate State law shall be applied; except that—

"(1) if a man and woman have been determined to be husband and wife under section 216(h)(1) for purposes of title II they shall be considered (from and after the date of such determination or the date of their application for benefits under this title, whichever is later) to be husband and wife for purposes of this title, or

"(2) if a man and woman are found to be holding themselves out to the community in which they reside as husband and wife, they shall be so considered for purposes of this title notwithstanding any other provision of this section.

"United States

"(e) For purposes of this title, the term 'United States', when used in a geographical sense, means the States and the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, and Guam.

"Income and Resources of Individuals Other Than Eligible Individuals and Eligible Spouses

"(f)(1) For purposes of determining eligibility for and the amount of benefits for any individual who is married and whose spouse is living with him in the same household but is not an eligible spouse, such individual's income and resources shall be deemed to include any income and resources of such spouse, whether or not available to such individual, except to the extent determined by the Secretary to be inequitable under the circumstances.

"(2) For purposes of determining eligibility for and the amount of benefits for any individual who is a child under age 21, such individual's income and resources shall be deemed to include any income and resources of a parent of such individual (or the spouse of such a parent) who is living in the same household as such individual, whether or not available to such individual, except to the extent determined by the Secretary to be inequitable under the circumstances.

"REHABILITATION SERVICES FOR BLIND AND DISABLED INDIVIDUALS

"SEC. 2015. (a) In the case of any blind or disabled individual who—

"(1) has not attained age 65, and

"(2) is receiving benefits (or with respect to whom benefits are paid) under this title,

the Secretary shall make provision for referral of such individual to the appropriate State agency administering the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act, and (except in such cases as he may determine) for a review not less often than quarterly of such individual's blindness or disability and his need for and utilization of the rehabilitation services made available to him under such plan.

"(b) Every individual with respect to whom the Secretary is required to make provision for referral under subsection (a) shall accept such rehabilitation services as are made available to him under the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act; and the Secretary is authorized to pay to the State agency administering or supervising the administration of such State plan the costs incurred in the provision of such services to individuals so referred.

"(c) No individual shall be an eligible individual or eligible spouse for purposes of this title if he refuses without good cause to accept vocational rehabilitation services for which he is referred under subsection (a).

"OPTIONAL STATE SUPPLEMENTATION

"SEC. 2016. (a) Any cash payments which are made by a State (or political subdivision thereof) on a regular basis to individuals who are receiving benefits under this title or who would but for their income be eligible to receive benefits under this title, as assistance based on need in supplementation of such benefits (as determined by the Secretary), shall be excluded under section 2012(b)(4) in determining the income of such individuals for purposes of this title only if (1) the Secretary and such State enter into an agreement which satisfies subsection (b) and which may at the option of the State provide that the Secretary will, on behalf of such State (or subdivision), make such supplementary payments to all such

individuals, and (2) such supplementary payments are made to such individuals in accordance with such agreement.

"(b) Any agreement between the Secretary and a State entered into under subsection (a) shall provide—

"(1) that in determining the eligibility of any individual for supplementary payments on the basis of his income, all the provisions of section 2012(b) will apply, except that with respect to any quarter—

"(A) if benefits are paid to such individual for such quarter under this title, such benefits will not be excluded from income in applying paragraph (4) of such section, and

"(B) if no benefits are paid to such individual for such quarter under this title, the requirement of this paragraph shall not apply with respect to such individual; except that the supplementary payment shall not be reduced, on account of income in excess of the maximum amount which such individual could have and still receive such a benefit, by an amount greater than such excess,

and, if the agreement provides that the Secretary will, on behalf of the State (or political subdivision), make the supplementary payments to individuals receiving benefits under this title, shall also provide—

"(2) that such payments will be made (subject to subsection (c)(2) to all individuals residing in such State (or subdivision) who are receiving benefits under this title, and

"(3) such other rules with respect to eligibility for or amount of the supplementary payments, and such procedural or other general administrative provisions, as the Secretary finds necessary (subject to subsection (c)) to achieve efficient and effective administration of both the program which he conducts under this title and the optional State supplementation.

"(c)(1) Any State (or political subdivision), in determining the eligibility of any individual for supplementary payments described in subsection (a), may disregard up to $7.50 of any income in addition to other amounts which it is required or permitted to disregard under this section in determining such eligibility, and may include a provision to that effect in the State's agreement with the Secretary under subsection (a).

"(2) Any State (or political subdivision) making supplementary payments described in subsection (a) may at its option impose as a condition of eligibility for such payments, and include in the State's agreement with the Secretary under such subsection, a residence requirement which excludes individuals who have resided in the State (or political subdivision) for less than a minimum period prior to application for such payments.

"(d) Any State which has entered into an agreement with the Secretary under this section which provides that the Secretary will, on behalf of the State (or political subdivision), make the supplementary payments to individuals who are receiving benefits under this title (or who would but for their income be eligible to receive such benefits), shall, subject to section 503 of the Social Security Amendments of 1971, at such times and in such installments as may be agreed upon between the Secretary and such State, pay to the Secretary an amount equal to the expenditures made by the Secretary as such supplementary payments.

"PART B—PROCEDURAL AND GENERAL PROVISIONS

"PAYMENTS AND PROCEDURES

"Payment of Benefits

"SEC. 2031. (a)(1) Benefits under this title shall be paid at such time and in such installments as will best effectuate the purposes of this title, as determined under regulations (and may in any case be paid less frequently than monthly where the amount of monthly benefit would not exceed $10).

"(2) Payments of the benefit of any individual may be made to any such individual or to his eligible spouse (if any) or partly to each, or, if the Secretary deems it appropriate, to any other person (including an appropriate public or priavte agency) who is interested in or concerned with the welfare of such individual (or spouse).

"(3) The Secretary may by regulation establish ranges of incomes within which a single amount of benefits under this title shall apply.

"(4) The Secretary—

"(A) may make, to any individual initially applying for benefits under this title who is presumptively eligible for such benefits and who is faced with financial emergency, a cash advance against such benefits in an amount not exceeding $100; and

"(B) may pay benefits under this title to an individual applying for such benefits on the basis of disability for a period not exceeding 3 months prior to the determination of such individual's disability, if such individual is presumptively disabled and is determined to be otherwise eligible for such benefits, and any benefits so paid prior to such determination shall in no event be considered overpayments for purposes of subsection (b).

"(5) Payment of the benefit of any individual who is an aged, blind, or disabled individual solely by reason of blindness (as determined under section 2014(a)(2)) or disability (as determined under section 2014(a)(3)), and who ceases to be blind or to be under such disability, shall continue (so long as such individual is otherwise eligible) through the second month following the month in which such blindness or disability ceases.

"Overpayments and Underpayments

"(b) Whenever the Secretary finds that more or less than the correct amount of benefits has been paid with respect to any individual, proper adjustment or recovery shall, subject to the succeeding provisions of this subsection, be made by appropriate adjustments in future payments to such individual or by recovery from or payment to such individual or his eligible spouse (or by recovery from the estate of either). The Secretary shall make such provision as he finds appropriate in the case of payment of more than the correct amount of benefits with respect to an individual with a view to avoiding penalizing such individual or his eligible spouses who was without fault in connection with the overpayment, if adjustment or recovery on account of such overpayment in such case would defeat the purposes of this title, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration of this title.

"Hearings and Review

"(c)(1) The Secretary shall provide reasonable notice and opportunity for a hearing to any individual who is or claims to be an eligible individual or eligible spouse and is in disagreement with any determination under this title with respect to eligibility of such individual for benefits, or the amount of such individual's benefits, if such individual requests a hearing on the matter in disagreement within thirty days after notice of such determination is received.

"(2) Determination on the basis of such hearing, except to the extent that the matter in disagreement involves the existence of a disability (within the meaning of section 2014(a)(3)), shall be made within ninety days after the individual requests the hearing as provided in paragraph (1).

"(3) The final determination of the Secretary after a hearing under paragraph (1) shall be subject to judicial review as provided in section 205(g) to the same extent as the Secretary's final determinations under section 205; except that the determination of the Secretary after such hearing as to any fact shall be final and conclusive and not subject to review by any court.

"Procedures; Prohibition of Assignments; Representation of Claimants

"(d)(1) The provisions of section 207 and subsections (a), (d), (e), and (f) of section 205 shall apply with respect to this part to the same extent as they apply in the case of title II.

"(2) To the extent the Secretary finds it will promote the achievement of the objectives of this title, qualified persons may be appointed to serve as hearing examiners in hearings under subsection (c) without meeting the specific standards prescribed for hearing examiners by or under subchapter II of chapter 5 of title 5, United States Code.

"(3) The Secretary may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys, as hereinafter provided, representing claimants before the Secretary under this title, and may require of such agents or other persons, before being recognized as representatives of claimants, that they shall show that they are of good character and in good repute, possessed of the necessary qualifications to enable them to render such claimants valuable service, and otherwise competent to advise and assist such claimants in the presentation of their cases. An attorney in good standing who is admitted to practice before the highest court of the State, Territory, District, or insular possession of his residence or before the Supreme Court of the United States or the inferior Federal courts, shall be entitled to represent claimants before the Secretary. The Secretary may, after due notice and opportunity for hearing, suspend or prohibit from further practice before him any such person, agent, or attorney who refuses to comply with the Secretary's rules and regulations or who violates any provision of this paragraph for which a penalty is prescribed. The Secretary may, by rule and regulations, prescribe the maximum fees which may be charged for services performed in connection with any claim before the Secretary under this title, and any agreement in violation of such rules and regulations shall be void. Any person who shall, with intent to defraud, in any manner willfully and knowingly deceive, mislead, or threaten any claimant or prospective claimant or beneficiary under this title by word, circular, letter, or advertisement, or who shall knowingly charge or collect directly or indirectly any fee in excess of the maximum fee, or make any agreement directly or indirectly to charge or collect any fee in excess of the maximum fee, prescribed by the Secretary, shall be deemed guilty of a misdmeanor and, upon conviction thereof, shall for each offense be punished by a fine not exceeding $500 or by imprisonment not exceeding one year, or both.

"Applications and Furnishing of Information

"(e)(1) The Secretary shall prescribe such requirements with respect to the filing of applications, the suspension or termination of assistance, the furnishing of other data and material, and the reporting of events and changes in circumstances, as may be necessary for the effective and efficient administration of this title.

"(2) In case of the failure by any individual to submit a report of events and changes in circumstances relevant to eligibility for or amount of benefits under this title as required by the Secretary under paragraph (1), or delay by any individual in submitting a report as so required, the Secretary (in addition to taking any other action he may consider appropriate under paragraph (1)) shall reduce any benefits which may subsequently become payable to such individual under this title by—

"(A) $25 in the case of the first such failure or delay,

"(B) $50 in the case of the second such failure or delay, and

"(C) $100 in the case of the third or a subsequent such failure or delay,

except where the individual was without fault or good cause for such failure or delay existed.

"Furnishing of Information by Other Agencies

"(f) The head of any Federal agency shall provide such information as the Secretary needs for purposes of determining eligibility for or amount of benefits, or verifying other information with respect thereto.

"PENALTIES FOR FRAUD

"SEC. 2032. Whoever—

"(1) knowingly and willfully makes or causes to be made any false statement or representation of a material fact in any application for any benefit under this title,

"(2) at any time knowingly and willfully makes or causes to be made any false statement or representation of a material fact for use in determining rights to any such benefit,

"(3) having knowledge of the occurrence of any event affecting (A) his initial or continued right to any such benefit, or (B) the initial or continued right to any such benefit of any other individual in whose behalf he has applied for or is receiving such benefit, conceals or fails to disclose such event with an intent fraudulently to secure such benefit either in a greater amount or quantity than is due or when no such benefit is authorized, or

"(4) having made application to receive any such benefit for the use and benefit of another and having received it, knowingly and willfully converts such benefit or any part thereof to a use other than for the use and benefit of such other person,

shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

"ADMINISTRATION

"SEC. 2033. The Secretary may make such administrative and other arrangements (including arrangements for the determination of blindness and disability under section 2014 (a) (2) and (3) in the same manner and subject to the same conditions as provided with respect to disability determinations under section 221) as may be necessary or appropriate to carry out his functions under this title.

"EVALUATION AND RESEARCH; REPORTS

"SEC. 2034. (a) (1) The Secretary shall provide for the continuing evaluation of the program conducted under this title, including its effectiveness in achieving its goals and its impact on other related programs. The Secretary may conduct research regarding, and demonstrations of, ways to improve the effectiveness of the program conducted under this title, and in so doing may waive any requirement or limitation imposed by or pursuant to this title to the extent he deems appropriate. The Secretary may, for these purposes, contract for evaluations of and research regarding such program.

"(2) Of the sums authorized by section 2001 to be appropriated for any fiscal year, not more than $5,000,000 shall be appropriated for purposes of paragraph (1).

"(b) The Secretary shall, in conducting the activities provided for in subsection (a) (1), utilize the data collection, processing and retrieval system established for use in the operation and administration of the program under this title.

"(c) The Secretary shall make an annual report to the President and the Congress on the operation and administration of the program under this title, including an evaluation thereof in carrying out the purposes of this title and recommendations with respect thereto."

CONFORMING AMENDMENTS RELATING TO AID TO THE AGED, BLIND, OR DISABLED

SEC. 302. (a) The heading of title XVI of the Social Security Act is amended to read as follows:

"TITLE XVI—GRANTS TO STATES FOR SERVICES TO THE AGED, BLIND, OR DISABLED".

(b) (1) The first sentence of section 1601 of such Act is amended to read as follows: "For the purpose of encouraging each State, as far as practicable under the conditions in such State, to furnish rehabilitation, and other services to help needy individuals who are 65 years of age or over, are blind, or are disabled to attain or retain capability for self-support or self-care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title."

(2) The second sentence of section 1601 of such Act is amended by striking out "State plans" and all that follows and inserting in lieu thereof "State plans for services to the aged, blind, or disabled."

(c) The heading of section 1602 of such Act is amended to read as follows:

"STATE PLANS FOR SERVICES TO THE AGED, BLIND, OR DISABLED".

(d) (1) Section 1602(a) of such Act is amended—

(A) by striking out "for aid to the aged, blind, or disabled, or for aid to the aged, blind, or disabled and medical assistance for the aged" in the matter preceding paragraph (1) and inserting in lieu thereof "for services to the aged, blind, or disabled";

(B) by striking out "with respect to services" in paragraph (1) (as amended by section 522(e) of this Act);

(C) by striking out paragraph (4);

(D) (i) by striking out "recipients and other persons" in paragraph (5) (B) and inserting in lieu thereof "persons", and

(ii) by striking out "providing services to applicants and recipients" in such paragraph and inserting in lieu thereof "providing services under the plan";

(E) by striking out "applicants and recipients" in paragraph (7) and inserting in lieu thereof "persons seeking or receiving services under the plan";

(F) by striking out paragraph (8);

(G) by striking out "aid or assistance to or on behalf of individuals" in paragraph (9) and inserting in lieu thereof "services to individuals";

(H) (i) by striking out "(if any)" in paragraph (10), and

(ii) by striking out "to applicants for or recipients of aid or assistance under the plan to help them attain self-support or self-care" in such paragraph and inserting in lieu thereof "under the plan";

(I) by striking out paragraph (11);

(J) by striking out "aid or assistance" in paragraph (13) and inserting in lieu thereof "services";

(K) by striking out paragraphs (14) and (15);

(L) (i) by striking out "aid or assistance to or on behalf of" in the matter preceding subparagraph (A) of paragraph (16) and inserting in lieu thereof "services to",

(ii) by adding "and" after the semicolon at the end of subparagraph (B) of such paragraph,

(iii) by striking out "recipients 65 years of age or older" in subparagraph (C) of such paragraph and inserting in lieu thereof "persons receiving services under the State plan who are 65 years of age or older and",

(iv) by striking out ", including appropriate medical treatment and other aid or assistance" in such subparagraph (C),

(v) by striking out "section 1603(a)(4)(A) (i) and (ii)" in such subparagraph (C) and inserting in lieu thereof "section 1603 (1) (A) (i) and (ii)",

(vi) by striking out "such recipient" each place it appears in such subparagraph (C) and inserting in lieu thereof "such persons receiving services",

(vii) by striking out "and" at the end of such subparagraph (C), and

(viii) by striking out subparagraph (D) of such paragraph;

(M) (i) by striking out "aid or assistance to or on behalf of" in paragraph (17) and inserting in lieu thereof "services to", and

(ii) by striking out the period at the end of such paragraph and inserting in lieu thereof "; and";

(N) by inserting after paragraph (17) the following new paragraph:

"(18) provide that, to the extent services under the plan are furnished by the staff of the State or local agency administering the plan in any political subdivision of the State, such staff will be located in organizational units (up to such organizational levels as the Secretary may prescribe) which are separate and distinct from the units within such agencies responsible for determining eligibility for any form of cash assistance paid on a regularly recurring basis or for performing any functions directly related thereto, subject to any exceptions which, in accordance with standards prescribed in regulations, the Secretary may permit when he deems it necessary in order to ensure the effective administration of the plan." ; and

(O) by striking out "the State plan for aid to the aged, blind, or disabled (or for aid to the aged, blind, or disabled and medical assistance for the aged)" in the last sentence and inserting in lieu thereof "the State plan for services to the aged, blind, or disabled".

(2) Paragraphs (5), (6), (7), (9), (10), (12), (13), (16), (17), and (18) of section 1602(a) of such Act, as amended by paragraph (1) of this subsection, are redesignated as paragraphs (4) through (13), respectively.

(e) Section 1602(b) of such Act is amended—

(1) by striking out "aid or assistance" in the matter preceding paragraph (1) and inserting in lieu thereof "services";

(2) by striking out pafagraph (2) and inserting in lieu thereof the following:

"(2) any residence requirement which excludes any individual who resides in the State; or"; and

(3) by striking out the last sentence.

(f) Section 1602(c) of such Act is repealed.

(g) Section 1603(a) of such Act is amended—

(1) by striking out paragraphs (1), (2), and (3);

(2) by redesignating paragraph (4) as paragraph (1), and—

(A) by striking out "applicants for or recipients of aid or assistance" in clause (i) of subparagraph (A) of such paragraph and inserting in lieu thereof "individuals (including applicants for and recipients of assistance under title XX)",

(B) by striking out "applicants or recipients" in clause (ii) of subparagraph (A) of such paragraph and inserting in lieu thereof "individuals",

(C) by striking out "aid or assistance under the plan" in clause (iii) of subparagraph (A) of such paragraph and inserting in lieu thereof "assistance under title XX",

(D) by striking out "to applicants for or recipients of aid or assistance under the plan" in subparagraph (B) of such paragraph and inserting in lieu thereof "to individuals under the plan", and

(E) by striking out "such aid or assistance" in subparagraph (B) of such paragraph and inserting in lieu thereof "assistance under title XX";

(3) by redesignating paragraph (5) as paragraph (2), and by striking out "para-

graph (4)" in such paragraph and inserting in lieu thereof "paragraph (1)".

(h) Section 1603(b) of such Act is amended—

(1) by striking out paragraph (3); and

(2) by redesignating paragraph (4) as paragraph (3).

(i) Section 1603(c) of such Act is amended—

(1) by striking out "paragraph (4) of subsection (a)" each place it appears and inserting in lieu thereof "paragraph (1) of subsection (a)";

(2) by striking out "applicants for or recipients of aid to the aged, blind, or disabled" and inserting in lieu thereof "individuals"; and

(3) by striking out "paragraph (5) of such subsection" and inserting in lieu thereof "paragraph (2) of such subsection".

(j) Section 1604(1) of such Act is amended by striking out "has been so changed that it".

(k) Section 1605 of such Act is amended to read as follows:

"DEFINITION

"SEC. 1605. For purposes of this title, the term 'services to the aged, blind, or disabled' means services (including but not limited to the services referred to in section 1603(a)(1)(A) and (B)) provided for or on behalf of needy individuals who are 65 years of age or older, are blind, or are disabled."

(l) References in any law, regulation, State plan, or other document to any provision of title XVI of the Social Security Act which is redesignated by this section shall to the extent appropriate (from and after the effective date of the amendments made by this section) be considered to be references to such provision as so redesignated.

REPEAL OF TITLES I, X, AND XIV OF THE SOCIAL SECURITY ACT

SEC. 303. Titles I, X, and XIV of the Social Security Act are repealed.

PROVISION FOR DISREGARDING OF CERTAIN INCOME IN DETERMINING NEED FOR AID TO THE AGED, BLIND, OR DISABLED FOR ASSISTANCE

SEC. 304(a) Effective upon the enactment of this Act, section 1007 of the Social Security Amendments of 1969 is amended by striking out "and before January 1972" and inserting in lieu thereof "and before July 1972".

(b) Effective July 1, 1972, such section 1007 (as amended by subsection (a) of this section) is amended—

(1) by striking out "the requirements imposed by law as a condition of approval of a State plan to provide aid to individuals under title I, X, XIV, or XVI of the Social Security Act" and inserting in lieu thereof "the requirements which a State must meet in order to have supplementary payments made pursuant to an agreement under section 2016 of the Social Security Act excluded from income for purposes of title XX of such Act";

(2) by striking out "(and the plan shall be deemed to require)";

(3) by striking out "for aid for any month after March 1970 and before July 1972" and inserting in lieu thereof "for such a supplementary payment for any month";

(4) by striking out "the aid received by him" in paragraphs (1) and (2) and inserting in lieu thereof "the supplementary payment";

(5) by striking out "the State plan" in paragraph (1) and inserting in lieu thereof "the State plan approved under title I, X, XIV, or XVI of the Social Security Act".

(6) by adding at the end thereof (after and below paragraph (2)) the following new sentence:

"Notwithstanding the preceding provisions of this section, State supplementary payments under an agreement under section 2016 of the Social Security Act which do not otherwise meet the specific requirements of such provisions shall nevertheless be deemed to meet such requirements for any month if in computing the supplementary payment of any individual receiving monthly insurance benefits under title II of such Act, or an annuity or pension under the Railroad Retirement Act of 1937, not less than $4 of such benefit, annuity, or pension is disregarded or excluded from income in addition to any amounts which would otherwise be so disregarded or excluded."

ADVANCES FROM OASI TRUST FUND FOR ADMINISTRATIVE EXPENSES

SEC. 305. (a) Section 201(g)(1)(A) of the Social Security Act is amended—

(1) by striking out "this title and title XVIII" wherever it appears and inserting in lieu thereof "this title, title XVIII, and title XX";

(2) by striking out "costs which should be borne by each of the Trust Funds" and inserting in lieu thereof "costs which would be borne by each of the Trust Funds and (with respect to title XX) by the general revenues of the United States"; and

(3) by striking out "in order to assure that each of the Trust Funds bears" and inserting in lieu thereof "in order to assure that (after appropriations made pursuant to section 2001, and repayment to the Trust Funds from amounts so appropriated) each of the Trust Funds and the general revenues of the United States bears".

(b)(1) Sums appropriated pursuant to section 2001 of the Social Security Act shall be utilized from time to time, in amounts certified under the second sentence of section 201(g)(1)(A) of such Act, to repay the Trust Funds for expenditures made from such Funds in any fiscal year under section 201(g)(1)(A) of such Act (as amended by subsection (a) of this section) on account of the costs of administration of title XX of such Act (as added by section 301 of this Act).

(2) If the Trust Funds have not theretofore been repaid for expenditures made in any fiscal year (as described in paragraph (1)) to the extent necessary on account of—

(A) expenditures made from such Funds prior to the end of such fiscal year to the extent that the amount of such expenditures exceeded the amount of the expenditures which would have been made from such Funds if subsection (a) had not been enacted,

(B) the additional administrative expenses, if any, resulting from the excess expenditures described in subparagraph (A), and

(C) any loss in interest to such Funds resulting from such excess expenditures and such administrative expenses,

in order to place each such Fund in the same position (at the end of such fiscal year) as it would have been in if such excess expenditures had not been made, the amendments made by subsection (a) shall cease to be effective at the close of the fiscal year following such fiscal year.

(3) As used in this subsection, the term "Trust Funds" has the meaning given it in section 201(g)(1)(A) of the Social Security Act.

TITLE IV—FAMILY PROGRAMS

ESTABLISHMENT OF OPPORTUNITY FOR FAMILIES PROGRAM AND FAMILY ASSISTANCE PLAN

SEC. 401. The Social Security Act is amended by adding at the end thereof (after the new title added by section 301 of this Act) the following new title:

"TITLE XXI—OPPORTUNITIES FOR FAMILIES PROGRAM AND FAMILY ASSISTANCE PLAN

"PURPOSE; APPROPRIATIONS

"SEC. 2101. For the purpose of—

"(1) providing for members of needy families with children the manpower services, training, employment, child care, family planning, and related services which are necessary to train them, prepare them for employment, and otherwise assist them in securing and retaining regular employment and having the opportunity for advancement in employment, to the end that such families will be restored to self-supporting, independent, and useful roles in their communities, and

"(2) providing a basic level of financial assistance throughout the Nation to needy families with children in a manner which will encourage work, training, and self-support, improve family life, and enhance personal dignity,

there are authorized to be appropriated, for each of the five fiscal years in the period beginning July 1, 1972, and ending June 30, 1977, sums sufficient to carry out this title.

"BASIC ELIGIBILITY FOR BENEFITS

"SEC. 2102. Every family which is determined under part C to be eligible on the basis of its income and resources shall, upon registration for manpower services, training, and employment by any of its members who are available for employment (as determined under section 2111) and in accordance with and subject to the other provisions of this title, be paid benefits by the Secretary of Labor under part A, or, if such family has no members who are registered for such services, training, and employment, shall be paid benefits by the Secretary of Health, Education, and Welfare under part B.

"PART A—OPPORTUNITIES FOR FAMILIES PROGRAM

"REGISTRATION OF FAMILY MEMBERS FOR MANPOWER SERVICES, TRAINING, AND EMPLOYMENT

"SEC. 2111. (a) Every individual who is determined by the Secretary of Health, Education, and Welfare to be a member of an eligible family and to be available for employment shall register with the Secretary of Labor for manpower services, training, and employment.

"(b) Any individual shall be considered to be available for employment for purposes of this title unless he is determined by the Secretary of Health, Education, and Welfare to be—

"(1) unable to engage in work or training by reason of illness, incapacity, or advanced age;

"(2) a mother or other relative of a child under the age of three (or, until July 1, 1974, under the age of six) who is caring for such child;

"(3) the mother or other female caretaker of a child, if the father or another adult male relative is in the home and not excluded by paragraph (1), (2), (4), or (5) of this subsection (unless he has failed to register as required by subsection (a), or to accept services or employment or participate in training as required by subsection (c));

"(4) a child who is under the age of sixteen or meets the requirements of section 2155(b)(2); or

"(5) one whose presence in the home on a substantially continuous basis is required because of the illness or incapacity of another member of the household.

An individual described in paragraph (2), (3), (4), or (5) who would, but for the preceding sentence, be required to register pursuant to subsection (a), may, if he wishes, register as provided in such subsection, and upon so registering he shall be considered as available for employment for purposes of this title.

"(c)(1) Every individual who is registered as required by subsection (a) shall participate in manpower services or training, and accept and continue to participate in employment in which he is able to engage, except where good cause exists for failure to participate in such services or training or to accept and continue to participate in such employment, as provided by the Secretary of Labor.

"(2) No individual shall be required by paragraph (1) to accept employment if—

"(A) the position offered is vacant due directly to a strike, lockout, or other labor dispute;

"(B) the wages, hours, or other terms or conditions of the work offered are contrary to or less than those prescribed by applicable Federal, State, or local law or are less favorable to the individual than those prevailing for similar work in the locality, or the wages for the work offered are at an hourly rate of less than three-fourths of the minimum wage specified in section 6 (a) (1) of the Fair Labor Standards Act of 1938;

"(C) as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization; or

"(D) the individual has the demonstrated capacity, through other available training or employment opportunities, of securing work available to him that would better enable him to achieve self-sufficiency.

"CHILD CARE AND OTHER SUPPORTIVE SERVICES

"SEC. 2112. (a) (1) The Secretary of Labor shall make provision for the furnishing of child care services in such cases and for so long as he deems appropriate (subject to section 2179) for individuals who are currently registered pursuant to section 2111 (a) or referred pursuant to section 2117(a) (or who have been so registered or referred within such period or periods of time as the Secretary of Labor may prescribe) and who need child care services in order to accept or continue to participate in manpower services, training, or employment, or vocational rehabilitation services.

"(2) In making provision for the furnishing of child care services under this subsection, the Secretary of Labor shall, in accordance with standards established pursuant to section 2134(a), arrange for or purchase, from whatever sources may be available, all such necessary child care services, including necessary transportation. Where available, services provided through facilities developed by the Secretary of Health, Education, and Welfare shall be utilized on a priority basis.

"(3) In cases where child care services cannot as a practical matter be made available in facilities developed by the Secretary of Health, Education, and Welfare, the Secretary of Labor may provide such services (A) by grants to public or nonprofit private agencies or contracts with public or private agencies or other persons, through such public or private facilities as may be available and appropriate (except that no such funds may be used for the construction of facilities (as defined in section 2134(b) (2)), and (B) through the assurance of such services from other appropriate sources. In addition to other grants or contracts made under clause (A) of the preceding sentence, grants or contracts under such clause may be made to or with any agency which is designated by the appropriate elected or appointed official or officials in such area and which demonstrates a capacity to work effectively with the manpower agency in such area (including provision for the stationing of personnel with the manpower team in appropriate cases). To the extent appropriate, such care for children attending school which is provided on a group or institutional basis shall be provided through arrangements with the appropriate local educational agency.

"(4) The Secretary of Labor may require individuals receiving child care services made available under paragraph (2) or provided under paragraph (3) to pay (in accordance with the schedule or schedules prescribed under section 2134(a)) for part or all of the cost thereof, and may require (as a condition of benefits under this part) that individuals receiving child care services otherwise furnished pursuant to provision made by him under paragraph (1) shall pay for the cost of such services if such cost will be excludable under section 2153(b) (3).

"(5) In order to promote, in a manner consistent with the purposes of this title, the effective provision of child care services, the Secretary of Labor shall assure the close cooperation of the manpower agency with the providers of child care services and shall, through the utilization of training programs and in cooperation with the Secretary of Health, Education, and Welfare, prepare persons registered pursuant to section 2111 for employment in child care facilities.

"(6) The Secretary of Labor shall regularly report to the Secretary of Health, Education, and Welfare concerning the amount and location of the child care services which he has had to provide (and expects to have to provide) under paragraph (3) because such services were not (or will not be) available under paragraph (2).

"(7) Of the amount appropriated to enable the Secretary of Labor to carry out his responsibilities under this subsection for any fiscal year, not less than 50 percent shall be expended by the Secretary of Labor in accordance with a formula under which the expenditures made in any State shall bear the same ratio to the total of such expenditures in all the States as the number of mothers registered under section 2111 in such State bears to the total number of mothers so registered in all the States.

"(b) (1) The Secretary of Labor shall make provision for the furnishing of the health, vocational rehabilitation, counseling, social, and other supportive services (including physical examinations and minor medical services) which he determines under regulations to be necessary to permit an individual who has registered pursuant to section 2111 (a) to undertake or continue manpower training or employment under this part.

"(2) In addition, the Secretary of Labor shall make provision for the offering, to all appropriate members of families which include one or more individuals registered pursuant to section 2111(a), of family planning services, the acceptance of which by any such member shall be voluntary on the part of such member and shall not be a prerequisite to eligibility for or receipt of benefits under this part or otherwise affect the amount of such benefits.

"(3) Services furnished under this subsection shall be provided in close cooperation with manpower training and employment services provided under this part. In providing services under this subsection the Secretary of Labor, to the maximum extent feasible, shall assure that such services are provided in such manner, through such means, and using such authority available under any other Act (subject to all duties and responsibilities thereunder) as will make maximum use of existing facilities, programs, and agencies.

"(4) Of the sums authorized by section 2101 to be appropriated for the fiscal year ending June 30, 1973, not more than $100,000,000 shall be appropriated to the Secretary of Labor to enable him to carry out his responsibilities under paragraph (1) of this subsection.

"PAYMENT OF BENEFITS

"SEC. 2113. Every eligible family (other than a family meeting the conditions for payment of benefits under section 2131) shall, in accordance with and subject to the other provisions of this title, be paid benefits by the Secretary of Labor as provided in part C.

"OPERATION OF MANPOWER SERVICES, TRAINING, AND EMPLOYMENT PROGRAMS

"SEC. 2114. (a) The Secretary of Labor shall develop, for each individual registered pursuant to section 2111(a), an employability plan describing the manpower services, training, and employment which the individual needs in order to enable him to become self-supporting and secure and retain employment and opportunities for advancement. Employability plans under this subsection shall be developed in accordance with priorities prescribed by the Secretary of Labor, which shall give first priority to mothers and pregnant women registered pursuant to section 2111(a) who are under nineteen years of age.

"(b) The Secretary of Labor shall establish manpower services, training, and employment programs for individuals registered pursuant to section 2111(a), and shall, through such programs, provide or assure the provision of manpower services, training, and employment necessary to prepare such individuals for and place them in regular employment, including—

"(1) any of such services, training, and employment which the Secretary of Labor is authorized to provide under any other Act;

"(2) counseling, testing, coaching, program orientation, institutional and on-the-job training, work experience, upgrading, job placement, and followup services required to assist in securing and retaining employment and opportunities for advancement;

"(3) relocation assistance, including grants, loans, and the furnishing of such services as will aid an involuntarily unemployed individual who desires to relocate to do so in an area where there is assurance of regular employment; and

"(4) public service employment programs.

"(c) (1) For the purpose of subsection (b) (4), a 'public service employment program' is a program designed to provide employment as described in paragraph (2) for individuals who (during the period of such employment) are not otherwise able to obtain employment or to be effectively placed in training programs. Such a program shall provide employment relating to such fields as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, and public safety or any other field which would benefit the community, the State, or the United States as a whole, by improving physical, social, or economic conditions.

"(2) The Secretary of Labor shall provide for the development of public service employment programs through grants to or contracts with any public or nonprofit private agency or organization. Such programs shall be designed with a view toward—

"(A) providing for development of employability through actual work experience; and

"(B) enabling individuals employed under public service employment programs to move into regular public or private employment.

"(3) Before making any grant or entering into any contract for a public service employment program under this subsection, the Secretary of Labor must receive assurances that—

"(A) appropriate standards for health, safety, and other conditions applicable to the performance of work and training have been established and will be maintained;

"(B) available employment opportunities will be increased and the program will not result in a reduction in the employment and labor costs of any employer or in the displacement of persons currently employed, including partial displacement resulting from a reduction in hours of work of wages, or employment benefits;

"(C) the conditions of work, training, education, and employment are reasonable in the light of such factors as the type of work, the geographic region, and the proficiency of the participants;

"(D) appropriate workmen's compensation protection is provided to all participants; and

"(E) the employability of participants will be increased.

"(4) Wages paid to an individual partici-

pating in a public service employment program shall be equal to the highest of—

"(A) the prevailing rate of wages in the same labor market area for persons employed in similar public occupations;

"(B) the applicable minimum wage rate prescribed by Federal, State, or local law; or

"(C) the minimum wage specified in section 6(a)(1) of the Fair Labor Standards Act of 1938.

"(5) The Secretary of Labor shall periodically (but not less frequently than once every six months) review the employment record of each individual participating in a public service employment program. On the basis of that record and any other information he may require, the Secretary of Labor shall determine the feasibility of placing such individual in regular employment or in on-the-job, institutional, or other training.

"(6) The Secretary of Labor shall make payments for not more than the first three years of an individual's employment in any public service employment program. Payments during the first year of such individual's employment shall not exceed 100 percent of the cost of providing such employment to such individual during such first year, payments during the second year of such individual's employment shall not exceed 75 percent of the cost of providing such employment to such individual during such second year, and payments during the third year of such individual's employment shall not exceed 50 percent of the cost of providing such employment to such individual during such third year.

"(d) In order to assure an adequate supply of information concerning opportunities for employment by States and their political subdivisions, any State or political subdivision receiving Federal assistance, through a grant-in-aid or contract under this title or any other provision of law, shall provide the Secretary of Labor with complete, up-to-date listings of all employment vacancies that the State or political subdivision may have in positions or programs wholly or partially supported through such Federal assistance. The fulfillment of this requirement shall be a condition for receiving such assistance.

"(e) The Secretary of Labor shall enter into agreements with the heads of other Federal agencies administering grant-in-aid programs to establish annual and multiyear goals for the employment of members of families receiving benefits under this title in employment wholly or partially supported through such Federal assistance. For the purposes of carrying out these agreements Federal agencies may provide, notwithstanding any other provision of law, that the establishment of such goals shall be a condition for receiving such assistance.

"(f) Of the sums authorized by section 2101 to be appropriated for the fiscal year ending June 30, 1973—

"(1) not more than $540,000,000 shall be appropriated to the Secretary of Labor to enable him to carry out his responsibilities under subsections (a) and (b) (except subsection (b)(4)) of this section, and under section 2115, and

"(2) not more than $800,000,000 shall be appropriated to the Secretary of Labor for the public service employment program under subsection (b)(4) of this section.

"ALLOWANCES FOR INDIVIDUALS PARTICIPATING IN TRAINING

"SEC. 2115. (a)(1) The Secretary of Labor shall pay to each individual who is a member of an eligible family and who is participating in manpower training under this part an incentive allowance of $30 per month. If one or more members of a family are receiving training for which training allowances are payable under section 203 of the Manpower Development and Training Act and meet the other requirements under such section (except subsection (l)(1) thereof) for the receipt of allowances which would be in excess of the sum of such family's benefit under this part and any supplementary payment to such family under section 2156, the total of the incentive allowances per month under this section for such members shall be equal to the greater of (A) the amount of such excess or, if lower, the amount of the excess of the training allowances which would be payable under such section 203 as in effect on January 1, 1971, over the sum of such family's benefit under this part and any such supplementary payment, and (B) $30 for each such member.

"(2) The Secretary of Labor shall also pay, to any member of an eligible family participating in manpower training under this part, allowances for transportation and other costs to such member which are reasonably necessary to and directly related to such member's participation in training.

"(b) Allowances under this section shall be in lieu of allowances provided for participants in manpower training programs under any other Act.

"(c) Subsection (a) shall not apply to any member of an eligible family who is receiving wages under a program of the Secretary of Labor or who is participating in manpower training which has the purpose of obtaining for him an undergraduate or graduate degree at a college or university.

"UTILIZATION OF OTHER PROGRAMS

"SEC. 2116. In providing the manpower training and employment services and opportunities required by this part the Secretary of Labor, to the maximum extent feasible, shall assure that such services and opportunities are provided in such manner, through such means, and using all of such authority available to him under any other Act (and subject to all duties and responsibilities thereunder) as will further the establishment of an integrated and comprehensive manpower training program involving all sectors of the economy and all levels of government.

"REHABILITATION SERVICES FOR INCAPACITATED FAMILY MEMBERS

"SEC. 2117. (a) In the case of any individual who is a member of a family receiving benefits under this part and who is not required to register pursuant to section 2111(a) solely because of his incapacity under section 2111(b)(1), the Secretary of Labor shall make provision for referral of such individual to the appropriate State agency administering the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act, and (except in such cases as he may determine) for a review not less often than quarterly of such individual's incapacity and his need for and utilization of the rehabilitation services made available to him under such plan.

"(b) Every individual with respect to whom the Secretary of Labor is required to make provision for referral under subsection (a) shall accept such rehabilitation services as are made available to him under the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act, except where good cause exists for failure to accept such services; and the Secretary of Labor is authorized to pay to the State agency administering or supervising the administration of such State plan the costs incurred in the provision of such services to such individuals.

"(c)(1) The Secretary of Labor shall pay to each family member with respect to whom the Secretary of Labor is required to make provision for referral under subsection (a) and who is receiving vocational rehabilitation services pursuant to such provision an incentive allowance of $30 per month.

"(2) The Secretary of Labor shall also pay, to any member of an eligible family with respect to whom the Secretary of Labor is required to make provision for referral under subsection (a) and who is receiving vocational rehabilitation services pursuant to such provision, allowances for transportation and other costs to such member which are necessary to and directly related to such member's participation in training.

"(3) Allowances under this subsection shall be in lieu of allowances provided for participants in vocational rehabilitation services under any other Act.

"EVALUATION AND RESEARCH; REPORTS

"SEC. 2118. (a)(1) The Secretary of Labor shall provide for the continuing evaluation of the program conducted under this part and of activities conducted under parts C and D insofar as they involve or are related to such program, including the effectiveness of such program in achieving its goals and its impact on other related programs. The Secretary of Labor may conduct research regarding, and demonstrations of, ways to improve the effectiveness of the program conducted under this part, and in so doing may waive any requirement or limitation imposed by or pursuant to this title to the extent he deems appropriate. The Secretary of Labor may, for these purposes, contract for evaluations of and research regarding such program.

"(2) Of the sums authorized by section 2101 to be appropriated for any fiscal year, not more than $10,000,000 shall be appropriated for purposes of paragraph (1).

"(b) The Secretary shall, in conducting the activities provided for in subsection (a)(1), utilize the data collection, processing, and retrieval system established for use in the operation and administration of the program under this part.

"(c) The Secretary of Labor shall make an annual report to the President and the Congress on the operation and administration of the program under this part, including an evaluation thereof in carrying out the purposes of this title and recommendations with respect thereto.

"PART B—FAMILY ASSISTANCE PLAN

"PAYMENT OF BENEFITS

"SEC. 2131. Every eligible family in which there is no member available for employment who has registered pursuant to section 2111 shall, in accordance with and subject to the other provisions of this title, be paid benefits by the Secretary of Health, Education, and Welfare as provided in part C.

"REHABILITATION SERVICES FOR INCAPACITATED FAMILY MEMBERS

"SEC. 2132. (a) In the case of any individual who is a member of a family receiving benefits under this part and who is not required to register pursuant to section 2111(a) solely because of his incapacity under section 2111(b)(1), the Secretary of Health, Education, and Welfare shall make provision for referral of such individual to the appropriate State agency administering or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act, and (except in such cases involving permanent incapacity as he may determine) for a review not less often than quarterly of such individual's incapacity and his need for and utilization of the rehabilitation services made available to him under such plan.

"(b) Every individual with respect to whom the Secretary of Health, Education, and Welfare is required to make provision for referral under subsection (a) shall accept such rehabilitation services as are made available to him under the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act, except where good cause exists for failure to accept such services; and the Secretary of Health, Education, and Welfare is authorized to pay to the State agency administering or supervising the administration of such State

plan the costs incurred in the provision of such services to such individuals.

"(c)(1) The Secretary of Health, Education, and Welfare shall pay to each family member with respect to whom the Secretary of Health, Education, and Welfare is required to make provision for referral under subsection (a) and who is receiving vocational rehabilitation services pursuant to such provision an incentive allowance of $30 per month.

"(2) The Secretary of Health, Education, and Welfare shall also pay, to any member of an eligible family with respect to whom the Secretary of Health, Education, and Welfare is required to make provision for referral under subsection (a) and who is receiving vocation rehabilitation services pursuant to such provision, allowances for transportation and other costs to such member which are reasonably necessary to and directly related to such member's participation in such services.

"(3) Allowances under this subsection shall be in lieu of allowances provided for participants in vocational rehabilitation services under any other Act.

"CHILD CARE AND OTHER SUPPORTIVE SERVICES

"SEC. 2133. (a)(1) The Secretary of Health, Education, and Welfare shall make provision for the furnishing of child care services in such cases and for so long as he deems appropriate (subject to section 2179) for individuals who are currently referred pursuant to section 2132(a) for vocational rehabilitation (or who have been so referred within such period or periods of time as the Secretary of Health, Education, and Welfare may prescribe) and who need child care services in order to be able to participate in the vocational rehabilitation program.

"(2) In making provision for the furnishing of child care services under this subsection, the Secretary of Health, Education, and Welfare shall arrange for and purchase, from whatever sources may be available, all such necessary child care services, including necessary transportation, placing priority on the use of facilities developed pursuant to section 2134.

"(3) Where child care services cannot as a practical matter be made available in facilities developed pursuant to section 2134, the Secretary of Health, Education, and Welfare may provide such services, by grants to public or nonprofit private agencies or contracts with public or private agencies or other persons, through such public or private facilities as may be available and appropriate (except that no such funds may be used for the construction of facilities (as defined in section 2134(b)(2))). In addition to other grants and contracts made under the preceding sentence, grants or contracts under such sentence may be made to or with any agency which is designated by the appropriate elected or appointed official or officials in such area and which demonstrates a capacity to work effectively with the manpower agency in such area (including provision for the stationing of personnel with the manpower team in appropriate cases). To the extent appropriate, such care for children attending school which is provided on a group or institutional basis shall be provided through arrangements with the appropriate local educational agency.

"(4) The Secretary of Health, Education, and Welfare may require individuals receiving child care services made available under paragraph (2) or provided under paragraph (3) to pay (in accordance with the schedule or schedules prescribed under section 2134(a)) for part or all of the cost thereof, and may require (as a condition of benefits under this part) that individuals receiving child care services otherwise furnished pursuant to provision made by him under paragraph (1) shall pay for the cost of such services if such cost will be excludable under section 2153(b)(3).

"(b) In addition, the Secretary of Health, Education, and Welfare shall make provision for the offering, to all appropriate members of families which include one or more individuals registered pursuant to section 2111(a), of family planning services, the acceptance of which by any such member shall be voluntary on the part of such member and shall not be a prerequisite to eligibility for or receipt of benefits under this part or otherwise affect the amount of such benefits.

"STANDARDS FOR CHILD CARE; DEVELOPMENT OF FACILITIES

"SEC. 2134. (a) In order to promote the effective provision of child care services, the Secretary of Health, Education, and Welfare shall (1) establish, with the concurrence of the Secretary of Labor, standards assuring the quality of child care services provided under this title, (2) prescribe such schedule or schedules as may be appropriate for determining the extent to which families are to be required (in the light of their ability) to pay the costs of child care for which provision is made under section 2112(a)(1) or section 2133(a)(1), and (6) coordinate the provision of child care services under this title with other child care and social service programs which are available.

"(b)(1) The Secretary of Health, Education, and Welfare, taking into account the requirement of section 2112(a)(7), is authorized to provide for (and pay part or all of the cost of) the construction of facilities, through grants to or contracts made with public or private nonprofit agencies or organizations, in or through which child care services are to be provided under this title.

"(2) For purposes of this subsection, the term 'construction' means acquisition, alteration, remodeling, or renovation of facilities, and includes, where the Secretary finds it is not feasible to use or adapt existing facilities for use for the provision of child care, construction (including acquisition of land therefor) of facilities for such care.

"(3) If within twenty years of the completion of any construction for which Federal funds have been paid under this subsection—

"(A) the owner of the facility shall cease to be a public or nonprofit private agency or organization, or

"(B) the facility shall cease to be used for the purposes for which it was constructed, unless the Secretary determines in accordance with regulations that there is good cause for releasing the owner of the facility from the obligation to do so,

the United States shall be entitled to recover from the owner of the facility an amount which bears to the then value of the facility (or so much thereof as constituted an approved project or projects) the same ratio as the amount of such Federal funds bore to the cost of construction of the facility financed with the aid of such funds. Such value shall be determined by agreement of the parties or by action brought in the United States district court for the district in which the facility is situated.

"(4) All laborers and mechanics employed by contractors or subcontractors on all construction projects assisted under this subsection shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276(a)-276(a)-5). The Secretary of Labor shall have with respect to the labor standards specified in this subsection the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176) and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276(c)).

"(5) Of the sums authorized by section 2101 to be appropriated for any fiscal year, not more than $50,000,000 shall be appropriated for purposes of the provisions of this subsection.

"(c) The Secretary of Health, Education, and Welfare is authorized to make grants to any public or nonprofit private agency or organization, and contracts with any public or private agency or organization, for part or all of the cost of planning; establishment of new child care facilities or improvement of existing child care facilities, and operating costs (for periods not in excess of 24 months or for such longer periods as the Secretary finds necessary to insure continued operation) of such new or improved facilities; evaluation; training of personnel, especially the training of individuals receiving benefits pursuant to part A and registered pursuant to section 2111; technical assistance; and research or demonstration projects to determine more effective methods of providing any such care.

"EVALUATION AND RESEARCH; REPORTS

"SEC. 2135. (a) (1) The Secretary of Health, Education, and Welfare shall provide for the continuing evaluation of the program conducted under this part and of activities conducted under parts C and D insofar as they involve or are related to such program, including the effectiveness of such program in achieving its goals and its impact on other related programs. The Secretary of Health, Education, and Welfare may conduct research regarding, and demonstrations of, ways to improve the effectiveness of the program conducted under this part, in so doing may waive any requirement or limitation imposed by or pursuant to this title to the extent he deems appropriate. The Secretary of Health, Education, and Welfare may, for these purposes, contract for evaluations of and research regarding such program.

"(2) Of the sums authorized by section 2101 to be appropriated for any fiscal year, not more than $10,000,000 shall be appropriated for purposes of paragraph (1).

"(b) The Secretary shall, in conducting the activities provided for in subsection (a)(1), utilize the data collection, processing, and retrieval system established for use in the operation and administration of the program under this part.

"(c) The Secretary of Health, Education, and Welfare shall make an annual report to the President and the Congress on the operation and administration of the program under this part, including an evaluation thereof in carrying out the purposes of this title and recommendations with respect thereto.

"PART C—DETERMINATION OF BENEFITS

"DETERMINATIONS; REGULATIONS

"SEC. 2151. Except as otherwise specifically provided in this title, determinations under this part and part D shall be made—

"(1) by the Secretary of Labor with respect to benefits payable under part A and families claiming or receiving such benefits (and the term 'Secretary' means the Secretary of Labor when used in this part and part D with respect to such benefits and families), and

"(2) by the Secretary of Health, Education, and Welfare with respect to benefits payable under part B and families claiming or receiving such benefits (and the term 'Secretary' means the Secretary of Health, Education, and Welfare when used in this part and part D with respect to such benefits and families);

but in either case such determinations shall be made under and in accordance with regulations which shall be prescribed by the Secretary of Health, Education, and Welfare with the concurrence of the Secretary of Labor and which shall be designed to assure that such determination will be made uniformly by the two Secretaries, so that to the maximum extent feasible any such determina-

tion made by either such Secretary (including any interpretation of law or application of fact made by either such Secretary as a basis for such a determination) will be the same as the determination which would be made by the other such Secretary on the same facts and under the same circumstances.

"ELIGIBILITY FOR AND AMOUNT OF BENEFITS

"Definition of Eligible Family

"SEC. 2152. (a) Each family (as defined in section 2155)—

"(1) whose income, other than income excluded pursuant to section 2153(b), is at a rate of not more than—

"(A) $800 per year for each of the first two members of the family, plus

"(B) $400 per year for each of the next three members, plus

"(C) $300 per year for each of the next two members, plus

"(D) $200 for the next member, and

"(2) whose resources, other than resources excluded pursuant to section 2154, are not more than $1,500, shall be an eligible family for purposes of this title.

"Amount of Benefits

"(b) The benefit for a family under part A or part B shall be payable at the rate of—

"(1) $800 per year for each of the first two members of the family, plus

"(2) $400 per year for each of the next three members, plus

"(3) $300 per year for each of the next two members, plus

"(4) $200 for the next member,

reduced by the amount of income, not excluded pursuant to section 2153(b), of the members of the family; except that no such benefit shall be payable to any family if the rate of payment (as otherwise determined under this part) would be less than $10 a month.

"Exclusion of Certain Family Members

"(c) The amount of benefits which is payable to a family as determined in accordance with subsection (b) shall, with respect to each family member (whether or not taken into account under subsection (b) in determining such amount) who is available for employment and fails to register as required by section 2111(a), or fails to accept manpower services or accept or continue in employment or participate in training as required by section 2111(c), or refuses to accept or continue to participate in rehabilitation services as required by section 2117(b) or 2132(b), be reduced by—

"(1) $800 per year in the case of each of the first two such members,

"(2) $400 per year in the case of each of the next three such members,

"(3) $300 per year in the case of the next two such members, and

"(4) $200 per year in the case of the next such member,

or by proportionately smaller amounts for shorter periods.

"Payment of Benefits; Period for Determination of Benefits

"(d)(1) Payment of benefits (prior to determination under paragraph (2) of the amount of the benefits payable) shall be made during any quarter of a calendar year on the basis of the Secretary's estimate of the family's income for such quarter, after taking into account income from preceding quarters and any modifications which are likely to occur on the basis of changes in circumstances or conditions. Eligibility for benefits or the amount of payments shall be redetermined at any time within the quarter that the Secretary receives notice or otherwise has reason to believe that a material change in circumstances has occurred.

"(2) The amount of the benefits payable to any family for any quarter of a calendar year shall be determined in the quarter immediately following such quarter; and, to the extent that the amount actually paid to such family for such quarter as provided in paragraph (1) was more or less than the amount so determined, proper adjustment or recovery shall be made as provided in section 2171(b). The benefits payable to a family for the quarter for which such determination is made shall be reduced by any income received in such quarter and in any one or more of the three quarters immediately preceding such quarter by any individual who was a member of the family both at the time such income was received and in the quarter for which such determination is made, if and to the extent that such amount was not counted as income of the family for the purpose of reducing the amounts described in subsection (b) or excluded pursuant to section 2153(b) or (if the family was not an eligible family for purposes of this title in any one or more of such preceding quarters) to the extent that such amount would not have been so counted for such purpose even if the family had then been an eligible family for purposes of this title.

"(3) For purposes of paragraph (2), income not excluded under section 2153(b) with respect to the quarter for which a determination is made shall be considered first, to reduce the amounts described in subsection (b); if benefits are payable thereafter, they shall be reduced by applying income not so excluded with respect to the first preceding quarter, then with respect to the second such quarter, and then with respect to the third such quarter, in that order. In the case of a family which did not receive benefits in each of the preceding three quarters, the Secretary may estimate (in the absence of satisfactory evidence) any amount which is needed for the determination of benefits under paragraph (2).

"(4) The Secretary shall by regulation prescribe the cases in which and extent to which the amount of a family assistance benefit for any quarter shall be reduced by reason of the time elapsing since the beginning of such quarter and before the date of filing of the application for the benefit.

"(5) For purposes of this subsection an application shall be considered to have been filed on the first day of the month in which it was actually filed.

"Biennial Reapplication

"(e) After a family has made application for benefits under this title and has been paid benefits (pursuant to such application) for 24 consecutive months, no further benefits shall be paid to such family under part A or part B except on the basis of a new application which shall be filed and processed as though it were such family's initial application for benefits under this title.

"Special Limits on Gross Income

"(f) The Secretary may prescribe the circumstances under which, consistently with the purposes of this title, the gross income from a trade or business (including farming) will be considered sufficiently large to make such family ineligible for such benefits. For purposes of this subsection, the term 'gross income' has the same meaning as when used in chapter 1 of the Internal Revenue Code of 1954.

"Certain Individuals Ineligible

"(g)(1) Notwithstanding subsection (a), no family shall be an eligible family for purposes of this title if, after notice by the Secretary that it is likely that any member of such family is eligible for any payments of the type enumerated in section 2153(a)(2)(A), such member fails within 30 days to take all appropriate steps (excluding acceptance of any employment offered under any of the conditions specified in subparagraphs (A) through (D) of section 2111(c)(2)) to apply for and (if eligible) obtain any such payments.

"(2)(A) No individual shall be considered a member of a family for purposes of determining the amount of such family's benefits if such individual is exempt under section 2111(b)(1) from the requirement of registration pursuant to section 2111(a) solely because of an incapacity which is determined by the Secretary to be the result in whole or in part of drug abuse or alcohol abuse unless such individual is undergoing any treatment that may be appropriate for such abuse at an institution or facility approved for purposes of this section by the Secretary (so long as such treatment is available) and demonstrates that he is complying with the terms, conditions, and requirements of such treatment and with requirements imposed by the Secretary under subparagraph (B).

"(B) The Secretary shall provide for the monitoring and testing of all individuals who are members of families for purposes of this title and who as a condition of being considered as such are required to be undergoing treatment and complying with the terms, conditions, and requirements thereof as described in subparagraph (A), in order to assure such compliance and to determine the extent to which the imposition of such requirement is contributing to the achievement of the purposes of this title. The Secretary shall annually submit to the Congress a full and complete report on his activities under this subsection.

"(C) As used in subparagraph (A), the term 'drug abuse' means abuse of a controlled substance within the meaning of section 102 of the Controlled Substances Act; and the term 'alcohol abuse' means alcohol abuse or alcoholism within the meaning of section 247 of the Community Mental Health Centers Act.

"Puerto Rico, the Virgin Islands, and Guam

"(h) For special provisions applicable to Puerto Rico, the Virgin Islands, and Guam, see section 1108(e).

"INCOME

"Meaning of Income

"SEC. 2153. (a) For purposes of this part, income means both earned income and unearned income; and—

"(1) earned income means only—

"(A) wages as determined under section 203(f)(5)(C);

"(B) net earnings from self-employment, as defined in section 211 (without the application of the second and third sentences following clause (C) of subsection (a)(9), and the last paragraph of subsection (a)), including earnings for services described in paragraphs (4), (5), and (6) of subsection (c); and

"(2) unearned income means all other income, including support and maintenance furnished in cash or otherwise and including—

"(A) any payments received as an annuity, pension, retirement, or disability benefit, including veterans' compensation and pensions, workmen's compensation payments, old-age, survivors, and disability insurance benefits, railroad retirement annuities and pensions, and unemployment insurance benefits;

"(B) prizes and awards;

"(C) the proceeds of any life insurance policy to the extent that they exceed the amount expended by family members for expenses of the insured individual's last illness and burial or $1,500, whichever is less;

"(D) gifts (cash or otherwise), support and alimony payments, and inheritances; and

"(E) rents, dividends, interest, and royalties.

"Exclusions From Income

"(b) In determining the income of a family there shall be excluded—

"(1) subject to limitations (as to amount or otherwise) prescribed by the Secretary, the earned income of each child in the family who is, as determined by the Secretary under regulations, a student regularly at-

tending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment;

"(2)(A) the total unearned income of all members of a family in a calendar quarter which, as determined in accordance with criteria prescribed by the Secretary, is received too infrequently or irregularly to be included, if such income so received does not exceed $60 in such quarter, and (B) the total earned income of all members of a family in a calendar quarter which, as determined in accordance with such criteria, is received too infrequently or irregularly to be included, if such income so received does not exceed $30 in such quarter;

"(3) an amount of earned income of a member of the family equal to all, or such part (and according to such schedule) as the Secretary may prescribe, of the cost incurred by such member for child care which the Secretary deems necessary to securing or continuing in manpower training, vocational rehabilitation, employment, or self-employment;

"(4) the first $720 per year (or proportionately smaller amounts for shorter periods) of the total of earned income (not excluded by the preceding paragraphs of this subsection) of all members of the family plus one-third of the remainder thereof;

"(5) subject to section 2156, any assistance (except veterans' pensions) which is based on need and furnished by any State or political subdivision of a State or any Federal agency (including relocation assistance under section 2114(b)(3)), or by any private agency or organization exempt from taxation under section 501(a) of the Internal Revenue Code of 1954 as an organization described in section 501(c)(3) or (4) of such Code;

"(6)(A) allowances under section 2115(a), 2117(c), or 2132(c);

"(B) allowances of the types described in such sections which are paid by a State or political subdivision thereof to a member of a family receiving benefits under this title, to the extent that such allowances do not exceed $30 per month;

"(7) any portion of any grant, scholarship, or fellowship received for use in paying the cost of tuition and fees at any educational (including technical or vocational education) institution;

"(8) home produce of a member of the family utilized by the household for its own consumption;

"(9) one-third of any payments received for the support of children who are family members, or as alimony paid to family members; and

"(10) any amounts received for the foster care of a child who is not a member of the family but who is living in the same home as the family and was placed in such home by a public or nonprofit private child-placement or child-care agency.

Notwithstanding any other provision of this part, the total amount which may be excluded under paragraphs (1), (2), and (3) in determining the income of any family for any year shall not exceed the lesser of—

"(i) $2,000 plus $200 for each member of the family in excess of four, or

"(ii) $3,000,

or a proportionately smaller amount for a shorter period.

"RESOURCES

"Exclusions From Resources

"SEC. 2154. (a) In determining the resources of a family there shall be excluded—

"(1) the home, to the extent that its value does not exceed such amount as the Secretary determines to be reasonable;

"(2) household goods and personal effects, to the extent that their total value does not exceed such amount as the Secretary determines to be reasonable; and

"(3) other property which, as determined in accordance with and subject to limitations prescribed by the Secretary, is so essential to the family's means of self-support as to warrant its exclusion.

In determining the resources of a family an insurance policy shall be taken into account only to the extent of its cash surrender value; except that if the total face value of all life insurance policies on any person is $1,500 or less, no part of the value of any such policy shall be taken into account.

"Disposition of Resources

"(b) The Secretary shall prescribe the period or periods of time within which, and the manner in which, various kinds of property must be disposed of in order not to be included in determining a family's eligibility for benefits. Any portion of the family's benefits paid for any such period shall be conditioned upon such disposal; and any benefits so paid shall (at the time of the disposal) be considered overpayments to the extent they would not have been paid had the disposal occurred at the beginning of the period for which such benefits were paid.

"MEANING OF FAMILY AND CHILD

"Meaning of family

"SEC. 2155. (a) Two or more individuals—

"(1) who are related by blood, marriage, or adoption,

"(2) who are living in a place of residence maintained by one or more of them as his or their own home,

"(3) all of whom are residents of the United States, and at least one of whom is either (A) a citizen or (B) an alien lawfully admitted for permanent residence, and

"(4) at least one of whom is a child who is in the care of or dependent upon another of such individuals,

shall be regarded as a family for purposes of this title and part A of title IV. A parent (of a child living in a place of residence referred to in paragraph (2)), or a spouse of such a parent, who is determined by the Secretary to be temporarily absent from such place of residence for the purpose of engaging in or seeking employment or self-employment (including military service) shall nevertheless be considered (for purposes of paragraph (2)) to be living in such place of residence. Notwithstanding any other provision of this title—

(A) no two or more individuals in any household shall be considered a family for purposes of this title if the individual who is the head of such household is a full-time undergraduate or graduate student at a college or university; and

(B) no individual shall (except as provided in the preceding sentence) be considered a member of a family for any of the purposes of this title with respect to any month during all of which such individual is outside the United States; and for purposes of this clause after an individual has been outside the United States for any period of 30 consecutive days, he shall be treated as remaining outside the United States until he has been in the United States for a period of 30 consecutive days.

"Meaning of Child

"(b) For purposes of this title, the term 'child' means an individual who is neither married nor (as determined by the Secretary) the head of a household, and who is (1) under the age of eighteen, or (2) under the age of twenty-two and (as determined by the Secretary) a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment.

"Determination of Family Relationships

"(c) In determining whether an individual is related to another individual by blood, marriage, or adoption, appropriate State law shall be applied.

"Income and Resources of Noncontributing Individual

"(d) For purposes of determining eligibility for and the amount of benefits for any family there shall be excluded the income and resources of any individual, other than a parent of a child, or a spouse of a parent, who is a family member, which, as determined in accordance with criteria prescribed by the Secretary, is not available to other members of the family; and for such purposes such individual—

"(1) in the case of a child, shall be regarded as a member of the family for purposes of determining the family's eligibility for such benefits but not for purposes of determining the amount of such benefits, and

"(2) in any other case, shall not be considered a member of the family for any purpose.

"United States

"(e) For purposes of this title, the term 'United States', when used in a geographical sense, means the States and the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, and Guam.

"Recipients of Assistance for the Aged, Blind, and Disabled Ineligible

"(f) If an individual is receiving benefits under title XX, then, for the period for which such benefits are received, such individual shall not be regarded as a member of a family for purposes of determining the amount of the benefits of the family under this title and his income and resources shall not be counted as income and resources of a family under this title.

"OPTIONAL STATE SUPPLEMENTATION

"SEC. 2156. (a) Any cash payments which are made by a State (or political subdivision thereof) on a regular basis to individuals who are receiving benefits under this title or who would but for their income be eligible to receive benefits under this title, as assistance based on need in supplementation of such benefits (as determined by the Secretary), shall be excluded under section 2153(b)(5) in determining the income of such individuals for purposes of this title only if (1) the Secretary and such State enter into an agreement which satisfies subsection (b) and which may at the option of the State provide that the Secretary will, on behalf of such State (or subdivision), make such supplementary payments to all such individuals, and (2) such supplementary payments are made to such individuals in accordance with such agreement.

"(b) Any agreement between the Secretary and a State entered into under subsection (a) shall provide—

"(1) that in determining the eligibility of any family for supplementary payments on the basis of the income of the family, all the provisions of section 2153(b) will apply, except that with respect to any quarter—

"(A) if benefits are paid to such family for such quarter under part A or part B, such benefits will not be excluded from income in applying paragraph (5) of such section, and

"(B) if no benefits are paid to such family for such quarter under part A or part B, the requirement of this paragraph shall not apply with respect to such family; except that the supplementary payment shall not be reduced, on account of income in excess of the maximum amount which such family could have and still receive such a benefit, by an amount greater than such excess,

and, if the agreement provides that the Secretary will, on behalf of the State (or political subdivision), make the supplementary payments to individuals receiving benefits under this title, shall also provide—

"(2) that such payments will be made (subject to subsection (c)) to all families residing in such State (or subdivision) who are receiving benefits under this title ex-

cept that the State may, at its option, exclude—

"(A) families in which both parents of the child or children are present, neither parent is incapacitated, and the male parent is not unemployed, or

"(B) families described in subparagraph (A) and families in which both parents of the child or children are present, neither parent is incapacitated, and the male parent is unemployed, and

"(3) such other rules with respect to eligibility for or amount of the supplementary payments, and such procedural or other general administrative provisions, as the Secretary finds necessary (subject to subsection (c)) to achieve efficient and effective administration of both the program which he conducts under this title and the optional State supplementation.

"(c) Any State (or political subdivision) making supplementary payments described in subsection (a) may at its option impose as a condition of eligibility for such payments, and include in the State's agreement with the Secretary under such subsection, a residence requirement which excludes individuals who have resided in the State (or political subdivision) for less than a minimum period prior to application for such payments.

"(d) Any State which has entered into an agreement with the Secretary under this section which provides that the Secretary will, on behalf of the State (or political subdivision), make the supplementary payments to individuals who are receiving benefits under this title (or who would but for their income be eligible to receive such benefits), shall, subject to section 503 of the Social Security Amendments of 1971, at such times and in such installments as may be agreed upon between the Secretary and such State, pay to the Secretary an amount equal to the expenditures made by the Secretary as such supplementary payments.

"PART D—PROCEDURAL AND GENERAL PROVISIONS

"PAYMENTS AND PROCEDURES

"Payment of Benefits

"SEC. 2171. (a)(1) Benefits under this title shall be paid at such time or times and in such installments as will best effectuate the purposes of this title.

"(2)(A) Payment of the benefit of any family may be made to any one or more members of the family, or, if the Secretary finds, after reasonable notice and opportunity for hearing (which shall be held in the same manner and subject to the same conditions as a hearing under subsection (c)(1) and (2)) to the family member or members to whom the benefits are (or, but for this provision, would be) paid, that such member or members have such inability to manage funds that making payment to such member or members would be contrary to the welfare of the child or children in such family, he may make payment to any person other than a member of such family, including an appropriate public or private agency) who is interested in or concerned with the welfare of the family. The Secretary shall investigate each case in which he has reason to believe that a family receiving payments under this title is unable to manage such payments in accordance with its best interests.

"(B) If the Secretary makes payment under subparagraph (A) to a person who is not a member of the family, he shall review his finding under the preceding sentence periodically to determine whether the conditions justifying such finding still exist, and, if they do not, he shall discontinue making payments to any person who is not a member of the family. If it appears to the Secretary that such conditions are likely to continue beyond a period specified by him, he shall attempt to secure the appointment of a guardian or other legal representative for the family member with respect to whom such finding is made, and take any other steps he may find appropriate to protect the welfare of the child or children in the family.

"(C) No part of the benefits of any family may be paid to any member of such family who has failed to register as required by section 2111(a), or who fails to accept services or employment or participate in training as required by section 2111(c), or who refuses to accept rehabilitation services as required by section 2117(b) or section 2132(b); and the Secretary may, if he deems it appropriate, provide for the payment of such benefits during the period of such failure to any person other than a member of such family (including an appropriate public or private agency) who is interested in or concerned with the welfare of the family, without making the finding required by subparagraph (A) and without regard to subparagraph (B).

"(3) The Secretary may establish ranges of incomes within which a single amount of benefits under this title shall apply.

"(4) The Secretary may make, to any family initially applying for benefits under this title which is presumptively eligible for such benefits and which is faced with financial emergency, a cash advance against such benefits in an amount not exceeding $100.

"OVERPAYMENTS AND UNDERPAYMENTS

"(b) Whenever the Secretary finds that more or less than the correct amount of benefits has been paid with respect to any family, proper adjustment or recovery shall, subject to the succeeding provisions of this subsection, be made by appropriate adjustments in future payments to the family under part A or part B or by recovery from or payment to any one or more of the individuals who are or were members thereof. The Secretary shall make such provision as he finds appropriate in the case of payment of more than the correct amount of benefits with respect to a family with a view to avoiding penalizing members of the family who were without fault in connection with the overpayment, if adjustment or recovery on account of such overpayment in such case would defeat the purposes of this title, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration of this title.

"HEARINGS AND REVIEW

"(c)(1) The Secretary shall provide reasonable notice and opportunity for a hearing to any individual who is or claims to be a member of a family and is in disagreement with any determination under this title with respect to—

"(A) eligibility of the family for benefits, the number of members of the family, or the amount of the family's benefits, or

"(B) the refusal of such individual to register for or participate or continue to participate in manpower services, training, or employment, or to accept employment or rehabilitation services,

if such individual requests a hearing on the matter in disagreement within thirty days after notice of such determination is received.

"(2) Determination on the basis of such hearing shall be made within ninety days after the individual requests the hearing as provided in paragraph (1).

"(3) The final determination of the Secretary after a hearing under paragraph (1) shall be subject to judicial review as provided in section 205(g) to the same extent as the Secretary's final determination under section 205; except that the determination of the Secretary after such hearing as to any fact shall be final and conclusive and not subject to review by any court.

"Procedures; Prohibition of Assignments; Representation of Claimants

"(d)(1) The provisions of section 207 and subsections (a), (d), (e), and (f) of section 205 shall apply with respect to this part to the same extent as they apply in the case of title II.

"(2) To the extent the Secretary finds it will promote the achievement of the objectives of this part, qualified persons may be appointed to serve as hearing examiners in hearings under subsection (c) without meeting the specific standards prescribed for hearing examiners by or under subchapter II of chapter 5 of title 5, United States Code.

"(3) The Secretary may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys as hereinafter provided, representing claimants before the Secretary under this part, and may require of such agents or other persons, before being recognized as representatives of claimants, that they shall show that they are of good character and in good repute, possessed of the necessary qualifications to enable them to render such claimants valuable service, and otherwise competent to advise and assist such claimants in the presentation of their cases. An attorney in good standing who is admitted to practice before the highest court of the State, Territory, District, or insular possession of his residence or before the Supreme Court of the United States or the inferior Federal courts, shall be entitled to represent claimants before the Secretary. The Secretary may, after due notice and opportunity for hearing, suspend or prohibit from further practice before him any such person, agent, or attorney who refuses to comply with the Secretary's rules and regulations or who violates any provision of this paragraph for which a penalty is prescribed. The Secretary may, by rule and regulation, prescribe the maximum fees which may be charged for services performed in connection with any claim before the Secretary under this part, and any agreement in violation of such rules and regulations shall be void. Any person who shall, with intent to defraud, in any manner willfully and knowingly deceive, mislead, or threaten any claimant or prospective claimant or beneficiary under this part by word, circular, letter, or advertisement, or who shall knowingly charge or collect directly or indirectly any fee in excess of the maximum fee, or make any agreement directly or indirectly to charge or collect any fee in excess of the maximum fee, prescribed by the Secretary, shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall for each offense be punished by a fine not exceeding $500 or by imprisonment not exceeding one year, or both.

"Applications and Furnishing of Information by Families

"(e)(1) The Secretary shall prescribe such requirements in the case of families or members thereof for the filing of applications, the suspension or termination of benefits, the furnishing of other data and material, and the reporting of events and changes in circumstances, as may be necessary to determine eligibility for and amount of family assistance benefits.

"(2) Each family who received benefits under part A or part B in a quarter shall be required, not later than 30 days after the close of such quarter, to submit a report to the Secretary containing such information and in such form as he may prescribe in order to enable him to determine eligibility for and the amount of the benefits payable to such family with respect to such quarter as provided in section 2152(d). In case of failure by any family to submit the report within such 30 days, no payment of benefits under part A or part B shall be made to such family so long as such failure continues.

"(3) In case of the failure by any family to submit any other data, material, or report required under paragraph (1), or delay by any individual in submitting such data, material, or report as so required, the Secretary shall reduce any benefits which may subse-

quently become payable to such family under this title by—

"(A) $25 in the case of the first such failure or delay,

"(B) $50 in the case of the second such failure or delay, and

"(C) $100 in the case of the third or a subsequent such failure or delay,

except where the family was without fault or good cause for such failure or delay existed.

"Furnishing of Information by Other Agencies

"(f) The head of any Federal agency shall provide such information as the Secretary needs for purposes of determining eligibility for or amount of benefits, or verfying other information with respect thereto.

"PENALTIES FOR FRAUD

"SEC. 2172. Whoever—

"(1) knowingly and willfully makes or causes to be made any false statement or representation of a material fact in any application for any benefit under this title,

"(2) at any time knowingly and willfully makes or causes to be made any false statement or representation of a material fact for use in determining rights to any such benefit,

"(3) having knowledge of the occurrence of any event affecting (A) his initial or continued right to any such benefit, or (B) the initial or continued right to any such benefit of any other individual in whose behalf he has applied for or is receiving such benefit, conceals or fails to disclose such event with an intent fraudulently to secure such benefit either in a greater amount or quantity than is due or when no such benefit is authorized, or

"(4) having made application to receive any such benefit for the use and benefit of another and having received it, knowingly and willfully converts such benefit or any part thereof to a use other than for the use and benefit of such other person,

shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

"ADMINISTRATION

"SEC. 2173. The Secretary of Health, Education, and Welfare and the Secretary of Labor may each perform any of his functions under this title (or section 1124) directly, through arrangements with each other or with other Federal agencies, or by contract with public or private agencies providing for payment in advance or by way of reimbursement, and in such installments, as he may deem necessary.

"ADVANCE FUNDING

"SEC. 2174. (a) For the purpose of affording adequate notice of funding available under this title, appropriations for grants, contracts, or other payments under part A or part B (other than benefits under section 2113 or 2131) are authorized to be included in an appropriation Act for the fiscal year preceding the fiscal year for which they are available for obligation.

"(b) In order to effect a transition to the advance funding method of timing appropriation action, subsection (a) shall apply notwithstanding that its initial application will result in enactment in the same year (whether in the same appropriation Act or otherwise) of two separate appropriations, one for the then current fiscal year and one for the succeeding fiscal year.

"OBLIGATION OF DESERTING PARENTS

"SEC. 2175. In any case where an individual has deserted or abandoned his spouse or his child or children and such spouse or any such child (during the period of such desertion or abandonment) is a member of a family receiving benefits under this title, such individual shall be obligated to the United States in an amount equal to—

"(1) the total amount of the benefits paid to such family during such period with respect to such spouse and child or children, reduced by

"(2) any amount actually paid by such individual to or for the support and maintenance of such spouse or child or children during such period, if and to the extent that such amount is excluded in determining the amount of such benefits;

except that in any case where an order for the support and maintenance of such spouse or any such child has been issued by a court of competent jurisdiction, the obligation of such individual under this subsection (with respect to such spouse or child) for any period shall not exceed the amount specified in such order less any amount actually paid by such individual (to or for the support and maintenance of such spouse or child) during such period. The amount due the United States under such obligation shall be collected (to the extent that the claim of the United States therefor is not paid by such individual or otherwise satisfied), in such manner as may be specified by the Secretary from any amounts otherwise due him or becoming due him at any time from any officer or agency of the United States or under any Federal program. Amounts collected under the preceding sentence shall be deposited in the Treasury as miscellaneous receipts.

"PENALTY FOR INTERSTATE FLIGHT TO AVOID PARENTAL RESPONSIBILITIES

"SEC. 2176. Whoever, being the parent of a child receiving benefits under this title as a member of a family, moves or travels in interstate commerce for the purpose of avoiding responsibility for the support of such child or any other responsibility imposed upon him by or under any law pertaining to the obligations of a parent to his child, shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

"REPORTS OF IMPROPER CARE OR CUSTODY OF CHILDREN

"SEC. 2177 Whenever the Secretary, in the performance of his functions under this title, obtains or comes into possession of information which indicates or gives him reason to believe that any child is being or has been subjected to neglect, abuse, exploitation, or other improper care or custody, he shall so advise the appropriate State or local child welfare agency and the head of the Federal department or agency (if such department or agency is not the Department of which the Secretary is head) which is most directly concerned with or exercises primary Federal jurisdiction over factual situations of the type involved.

"ESTABLISHMENT OF LOCAL COMMITTEES TO EVALUATE EFFECTIVENESS OF MANPOWER AND TRAINING PROGRAMS

"SEC. 2178. (a) The Secretary of Health, Education, and Welfare and the Secretary of Labor (in this section referred to as the 'Secretaries') shall jointly establish or designate such local advisory committees throughout the United States as may be necessary or appropriate to assist them in evaluating the effectiveness of the training and employment programs under this title, together with related child care, family planning, and other services, in helping needy families to become self-supporting and in otherwise achieving the objectives of this title. Each such local committee shall perform its functions within an area specified by the Secretaries at the time of its establishment or designation; but at least one such committee shall be established or designated in every State.

"(b) Each local advisory committee established or designated under subsection (a) shall, as specified by the Secretaries, consist of persons representative of labor, business, the general public, and units of local government not directly involved in administering employment and training programs under this title, and shall have a chairman elected by the committee from among its members. Members of each local committee shall be selected in such manner, and serve for such terms, as may be specified by the Secretaries."

"(c) Each local advisory committee established or designated under subsection (a) shall submit to the Secretaries at regular intervals a report on the effectiveness of the programs and services referred to in subsection (a) in the area within which it performs its functions, together with its recommendations for improving such effectiveness and such additional information as the Secretaries may request in connection with such programs and services.

"(d) The Secretaries shall provide each local advisory committee established or designated under subsection (a) with the funds necessary for the reasonable expenses of its members in the performance of its functions. There are authorized to be appropriated such sums as may be necessary to carry out this subsection.

"INITIAL AUTHORIZATION FOR APPROPRIATIONS FOR CHILD CARE SERVICES

"SEC. 2179. Of the sums authorized by section 2101 to be appropriated for the fiscal year ending June 30, 1973, not more than $700,000,000 in the aggregate shall be appropriated to the Secretary of Labor to enable him to carry out his responsibilities under section 2112(a) and to the Secretary of Health, Education, and Welfare to enable him to carry out his responsibilities under sections 2133(a) and 2134(c)."

CONFORMING AMENDMENTS RELATING TO ASSISTANCE FOR NEEDY FAMILIES WITH CHILDREN

SEC. 402. (a) The heading of title IV of the Social Security Act is amended to read as follows:

"TITLE IV—GRANTS TO STATES FOR FAMILY AND CHILD-WELFARE SERVICES".

(b) The heading of part A of title IV of such Act is amended to read as follows:

"PART A—SERVICES TO NEEDY FAMILIES WITH CHILDREN".

(c) Section 401 of such Act is amended—

(1) by striking out "financial assistance and", and "dependent" each place it appears, in the first sentence; and

(2) by striking out "aid and" in the second sentence.

(d)(1) Section 402(a) of such Act is amended—

(A) by striking out "AID AND" in the heading;

(B) by striking out "aid and" in the matter preceding clause (1);

(C) by striking out "with respect to services" in clause (1) (as amended by section 522(b) of this Act);

(D) by striking out clause (4);

(E)(i) by striking out "recipients and other persons" in clause (5)(B) and inserting in lieu thereof "persons", and

(ii) by striking out "providing services to applicants and recipients" in such clause and inserting in lieu thereof "providing services under the plan";

(F) by striking out clauses (7) and (8);

(G)(i) by striking out "applicants or recipients" in clause (9) and inserting in lieu thereof "persons seeking or receiving services under the plan", and

(ii) by striking out "aid to families with dependent children" in such clause and inserting in lieu thereof "the plan";

(H) by striking out clauses (10), (11), and (12);

(I)(i) by striking out "section 406(d)" in clause (14) and inserting in lieu thereof "section 405(d)",

(ii) by striking out "for children and relatives receiving aid to families with dependent children and appropriate individuals (living in the same home) whose needs are taken

into account in making the determination under clause (7)" in such clause (as amended by section 524(a) of this Act) and inserting in lieu thereof "for members of a family receiving assistance to needy families with children and individuals who would have been eligible to receive aid to families with dependent children under the State plan (approved under this part) as in effect prior to the enactment of title XXI", and

(iii) by striking out "such children, relatives, and individuals" each place it appears in such clause (as so amended) and inserting in lieu thereof "such members and individuals";

(J) by striking out clause (15) and inserting in lieu thereof the following: "(15) provide (A) for the development of a program, for appropriate members of such families and such other individuals, for preventing or reducing the incidence of births out of wedlock and otherwise strengthening family life, and for implementing such program by assuring that in all appropriate cases family planning services are offered to them, but acceptance of family planning services provided under the plan shall be voluntary on the part of such members and individuals and shall not be a prerequisite to eligibility for or the receipt of any other service under the plan; and (B) to the extent that services provided under this clause or clause (8) are furnished by the staff of the State agency or the local agency administering the State plan in each of the political subdivisions of the State, for the establishment of a single organizational unit in such State or local agency, as the case may be, responsible for the furnishing of such services;"

(K) by striking out "aid" in clause (16) and inserting in lieu thereof "assistance to needy families with children";

(L) (i) by striking out "aid to families with dependent children" in clause (17) (A) (i) and inserting in lieu thereof "assistance to needy families with children",

(ii) by striking out "aid" in clause (17) (A) (ii) and inserting in lieu thereof "assistance", and

(iii) by striking out "aid" in clause (17) (A) (iii) (as added by section 525(a) of this Act) and inserting in lieu thereof "assistance";

(M) by striking out "clause (17) (A)" in clause (18) and inserting in lieu thereof "clause (11) (A)";

(N) by striking out clause (19);

(O) by striking out "aid to families with dependent children in the form of foster care in accordance with section 408" in clause (20) and inserting in lieu thereof "payments for foster care in accordance with section 406";

(P) (i) by striking out "aid is being provided under the State plan" in clause (21) (A) (as amended by section 525(b) of this Act) and inserting in lieu thereof "assistance to needy families with children or foster care under the State plan is being provided", and

(ii) by striking out "section 410" in clause (21) (C) and inserting in lieu thereof "section 407";

(Q) by striking out "aid is being provided under the plan of such other State" in each place it appears in clause (22) (as amended by section 525(e) of this Act) and inserting in lieu thereof "assistance to needy families with children or foster care payments are being provided in such other State"; and

(R) by striking out "and (23)" and all that follows and inserting in lieu thereof "and (23) provide that, to the extent services under the plan are furnished by the staff of the State or local agency administering the plan in any political subdivision of the State, such staff will be located in organizational units (up to such organizational levels as the Secretary may prescribe) which are separate and distinct from the units within such agencies responsible for determining eligibility for any form of cash assistance paid on a regularly recurring basis or for performing any functions directly related thereto, subject to any exceptions which, in accordance with standards prescribed in regulations, the Secretary may permit when he deems it necessary in order to ensure the effective administration of the plan."

(2) Clauses (5), (6), (9), (13), (14), (15), (16), (17), (18), (20), (21), (22) and (23) of section 402(a) of such Act, as amended by paragraph (1) of this subsection, are redesignated as clauses (4) through (16), respectively.

(e) Section 402(b) of such Act is amended to read as follows:

"(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for services or foster care payments under it, any residence requirement which denies services or foster care payments with respect to any individual residing in the State."

(f) Section 402 of such Act is further amended by striking out subsection (c), and by striking out subsection (d) (as added by section 523(b) of this Act).

(g) (1) Section 403(a) of such Act is amended—

(A) by striking out "aid and" in the matter preceding paragraph (1);

(B) by striking out paragraph (1) and inserting in lieu thereof the following:

"(1) an amount equal to the sum of the following proportions of the total amounts expended during such quarter as payments for foster care in accordance with section 406—

"(A) five-sixths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $18 multiplied by the total number of children receiving such foster care for such month; plus

"(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under subparagraph (A), not counting so much of any expenditure with respect to any month as exceeds the product of $100 multiplied by the total number of children receiving such foster care for such month;";

(C) by striking out paragraph (2);

(D) (i) by striking out "in the case of any State," in the matter preceding subparagraph (A) in paragraph (3),

(ii) by striking out "or relative who is receiving aid under the plan, or to any other individual (living in the same home as such relative and child) whose needs are taken into account in making the determination under clause (7) of such section" in clause (i) of subparagraph (A) of such paragraph and inserting in lieu thereof "receiving foster care under the State plan or any member of a family receiving assistance to needy families with children",

(iii) by striking out "child or relative who is applying for aid to families with dependent children or" in caluse (ii) of subparagraph (A) of such paragraph and inserting in lieu thereof "member of a family",

(iv) by striking out "likely to become an applicant for or recipient of such aid" in clause (ii) of subparagraph (A) of such paragraph and inserting in lieu thereof "likely to become eligible to receive such assistance",

(v) by striking out "(17), (18), (21), and (22)" in caluse (iv) of subparagraph (A) of such paragraph (as added by section 527(a) of this Act) and inserting in lieu thereof "(11), (12), (14), and (15)", and

(vi) by striking out "(14) and (15)" each place it appears in subparagraph (A) of such paragraph and inserting in lieu thereof "(8) and (9)";

(E) by striking out all that follows "permitted" in the last sentence of such paragraph and inserting in lieu thereof "by the Secretary; and";

(F) by striking out "in the case of any State," in the matter preceding subparagraph (A) in paragraph (5);

(G) by striking out "section 406(e)" each place it appears in paragraph (5) and inserting in lieu thereof "section 405(e)"; and

(H) by striking out the sentences following paragraph (5).

(2) Paragraphs (3) and (5) of section 403 (a) of such Act, as amended by paragraph (1) of this subsection, are redesignated as paragraphs (2) and (3), respectively.

(h) Section 403(b) of such Act is amended—

(1) by striking out "(B) records showing the number of dependent children in the State, and (C)" in paragraph (1) and inserting in lieu thereof "and (B)"; and

(2) by striking out "(A)" in paragraph (2), and by striking out ", and (B)" and all that follows in such paragraph down through "under the State plan".

(i) Section 404 of such Act is amended—

(1) by striking out "(a) In the case of any State plan for aid and services" and inserting in lieu thereof "In the case of any State plan for services";

(2) by striking out clause (1) and inserting in lieu thereof the following:

"(1) that the plan no longer complies with the provisions of section 402; or"; and

(3) by striking out subsection (b).

(j) Section 405 of such Act is repealed.

(k) Section 406 of such Act is redesignated as section 405, and as so redesignated is amended—

(1) by striking out subsections (a), (b), and (c) and inserting in lieu thereof the following:

"(a) The term 'child' means a child as defined in section 2155(b).

"(b) The term 'needy families with children' means families who are eligible for benefits under part A or part B of title XXI, other than families in which both parents of the child or children are present, neither parent is incapacitated, and the male parent is not unemployed.

"(c) The term 'assistance to needy families with children' means benefits under part A or part B of title XXI, paid to needy families with children as defined in subsection (b)."; and

(2) (A) by striking out "living with any of the relatives specified in subsection (a) (1), in a place of residence maintained by one or more of such relatives as his or their own home" in paragraph (1) of subsection (e) and inserting in lieu thereof "a member of a family (as defined in section 2155(a))",

(B) by striking out "because such child or relative refused" in such paragraph and inserting in lieu thereof "because such child or another member of such family refused", and

(C) by striking out "the household in which he is living" in subparagraph (A) of such paragraph and inserting in lieu thereof "such family".

(l) Section 407 of such Act is repealed.

(m) Section 408 of such Act is redesignated as section 406, and as so redesignated is amended—

(1) by striking out everything (including the heading) which precedes paragraph (b) (1) and inserting in lieu thereof the following:

"FOSTER CARE

"SEC. 406. For purposes of this part—

"(a) the term 'foster care' shall include only foster care which is provided in behalf of a child (1) who would, except for his removal from the home of a family as a result of a judicial determination to the effect that continuation therein would be contrary to his welfare, be a member of such family receiving assistance to needy families with

children (or supplementary payments under section 2156), (2) whose placement and care are the responsibility of (A) the State or local agency administering the State plan approved under section 402, or (B) any other public agency with whom the State agency administering or supervising the administration of such State plan has made an agreement which is still in effect and which includes provision for assuring development of a plan, satisfactory to such State agency, for such child as provided in paragraph (e)(1) and such other provisions as may be necessary to assure accomplishment of the objectives of the State plan approved under section 402, (3) who has been placed in a foster family home or child-care institution as a result of such determination, and (4) who (A) received assistance to needy families with children (or aid to families with dependent children under the State plan approved under section 402 as in effect prior to the effective date of title XXI) in or for the month in which court proceedings leading to such determination were initiated, or (B) would have received such assistance to needy families with children (or such aid) in or for such month if application had been made therefor, or (C) in the case of a child who had been a member of a family (as defined in section 2155(a)) within six months prior to the month in which such proceedings were initiated, would have received such assistance (or such aid) in or for such month if in such month he had been a member of (and removed from the home of) such a family and application had been made therefor;

"(b) the term 'foster care' shall, however, include the care described in paragraph (a) only if it is provided—";

(2)(A) by striking out "'aid to families with dependent children'" in paragraph (b)(2) and inserting in lieu thereof "foster care",

(B) by striking out "such foster care" in such paragraph and inserting in lieu thereof "foster care". and

(C) by striking out the period at the end of such paragraph and inserting in lieu thereof "; and";

(3) by striking out paragraph (c) and redesignating paragraphs (d), (e) and (f) as paragraphs (c), (d), and (e), respectively;

(4) by striking out "paragraph (f)(2)" and "section 403(a)(3)" in paragraph (c) (as so redesignated) and inserting in lieu thereof "paragraph (e)(2)" and "section 403(a)(2)" respectively;

(5) by striking out "aid" in paragraph (d) (as so redesignated) and inserting in lieu thereof "foster care";

(6) by striking out "relative specified in section 406(a)" in paragraph (e)(1) (as so redesignated) and inserting in lieu thereof "family (as defined is section 2155(a))"; and

(7) by striking out "522(a)" and "part 3 of title V" in paragraph (e)(2) (as so redesignated) and inserting in lieu thereof "422(a)" and "part B of this title", respectively.

(n) Section 409 of such Act is repealed.

(o) Section 410 of such Act is redesignated as section 407; and subsection (a) of such section (as so redesignated) is amended by striking out "section 402(a)(21)" and inserting in lieu thereof" section 402(a)(14)".

(p)(1) Section 422(a)(1)(A) of such Act is amended by striking out "section 402(a)(15)" and inserting in lieu thereof "section 402(a)(9)".

(2) Section 422(a)(1)(B) of such Act is amended—

(A) by striking out "provided for dependent children" and inserting in lieu thereof "provided with respect to needy families with children", and

(B) by striking out "such children and their families" and inserting in lieu thereof "such families and children".

(q) Part C of title IV of such Act is repealed.

(r) References in any law, regulation, State plan, or other document to any provision of part A of title IV of the Social Security Act which is redesignated by this section shall to the extent appropriate (from and after the effective date of the amendments made by this section) be considered to be references to such provision as so redesignated.

TITLE V—MISCELLANEOUS

PART A—EFFECTIVE DATES AND GENERAL PROVISIONS

EFFECTIVE DATE FOR TITLES III AND IV

SEC. 501. The amendments and repeals made by this titles III and IV of this Act and by this part and parts B and E of this title shall become effective (and section 9 of the Act of April 19, 1950 (25 U.S.C. 639), is repealed effective) on July 1, 1972, except as otherwise specifically indicated, and except that—

(1) sections 2133 and 2134 of the Social Security Act, as added by section 401 of this Act, shall be effective upon the enactment of this Act,

(2) the amendments made by title IV of this Act, insofar as they apply to families in which both parents of the child or children involved are present. neither parent is incapacitated, and the male parent is not unemployed, shall not become effective until January 1, 1973, and

(3) appropriations for administrative expenses incurred during the fiscal year ending June 30, 1972, in developing the staff and facilities necessary to place in operation the programs established by titles XX and XXI of the Social Security Act, as added by this Act, and for child care furnished pursuant to section 508 during such fiscal year, may be included in an appropriation Act for such fiscal year.

PROHIBITION AGAINST PARTICIPATION IN FOOD STAMP PROGRAM BY RECIPIENTS OF PAYMENTS UNDER FAMILY AND ADULT ASSISTANCE PROGRAMS

SEC. 502. (a) Section 3(e) of the Food Stamp Act of 1964 is amended by adding at the end thereof the following new sentence: "No person who is determined to be an eligible individual or eligible spouse under section 2011(a) of the Social Security Act, and no member of a family which is determined to be an eligible family under section 2152(a) of such Act, shall be considered to be a member of a household or an elderly person for the purposes of this Act."

(b) Section 3(h) of such Act, is amended to read as follows:

"(h) The term 'State agency', with respect to any State, means the agency of State government which is designated by the Secretary for purposes of carrying out this Act in such State, or, if and to the extent that the Secretary so elects, the Federal agency administering title XX or XXI of the Social Security Act in such State."

(c) Section 10(c) of such Act is amended by striking out the first sentence.

(d) Clause (2) of the second sentence of section 10(e) of such Act is amended by striking out "used by them in the certification of applicants for benefits under the federally aided public assistance programs" and inserting in lieu thereof the following: "prescribed by the Secretary in the regulations issued pursuant to this Act".

(e) Section 10(e) of such Act is further amended by striking out the third sentence.

(f) Section 14 of such Act is amended by striking out subsection (e).

(g)(1) Except as provided in paragraph (2), the amendments made by this section shall take effect on July 1, 1972.

(2) The Secretary of Health, Education, and Welfare may by regulation provide that the amendment made by subsection (a)—

(A) shall not apply with respect to individuals and families in any State until the expiration of such period of time (not exceeding 30 days) after July 1, 1972, as he finds necessary to avoid the interruption of such individuals' and families' income in the transition from the programs of assistance under prior law to the programs of assistance under titles XX or XXI of the Social Security Act (as added by this Act); and

(B) shall not apply (in such cases as he may specify) with respect to individuals and families first becoming eligible for benefits under title XX or XXI of the Social Security Act after July 1, 1972, until the expiration of such period of time (not exceeding 30 days) after the first day of such eligibility as he finds necessary to avoid the interruption of such individuals' and families' income.

(3) In any case where the Secretary postpones the application of the amendment made by subsection (a) for a period of time as provided in subparagraph (A) or (B) of paragraph (2), each individual or family with respect to whom the postponement applies (and who had been certified to receive a coupon allotment under the Food Stamp Act of 1964 for the month immediately preceding the first day of such period) shall be authorized to purchase during such period the same coupon allotment (at the same charge therefor) which such individual or family had been certified to receive for such month immediately preceding the first day of such period.

LIMITATION ON FISCAL LIABILITY OF STATES FOR OPTIONAL STATE SUPPLEMENTATION

SEC. 503. (a)(1) The amount payable to the Secretary by a State for any fiscal year pursuant to its agreement or agreements under sections 2016 and 2156 of the Social Security Act shall not exceed the non-Federal share of expenditures as aid or assistance for quarters in the calendar year 1971 under the plans of the State approved under titles I, X, XIV, and XVI, and part A of title IV, of the Social Security Act (as defined in subsection (c) of this section).

(2) Paragraph (1) of this subsection shall only apply with respect to that portion of the supplementary payments made by the Secretary on behalf of the State under such agreements in any fiscal year which does not exceed in the case of any individual or family the difference between—

(A) the adjusted payment level under the appropriate approved plan of such State as in effect for January 1971 (as defined in subsection (b) of this section), and

(B) the benefits under title XX or XXI of the Social Security Act, plus income not excluded under section 2012(b) or 2153(b) of such Act in determining such benefits, paid to such individual or family in such fiscal year,

and shall not apply with respect to supplementary payments to any individual or family who (i) is not required by section 2016 or 2156 of such Act to be included in any such agreement administered by the Secretary and (ii) would have been ineligible (for reasons other than income) for payments under the appropriate approved State plan as in effect for January 1971.

(b)(1) For purposes of subsection (a), the term "adjusted payment level under the appropriate approved plan of a State as in effect for January 1971" means the amount of the money payment which an individual or family (of a given size) with no other income would have received under the plan of such State approved under title I, X, XIV, or XVI, or part A of title IV, of the Social Security Act, as may be appropriate, and in effect for January 1971; except that the State may, at its option, increase such payment level with respect to any such plan by an amount which does not exceed the sum of—

(A) a payment level modification (as defined in paragraph (2) of this subsection) with respect to such plan, and

(B) the bonus value of food stamps in

such State for January 1971 (as defined in paragraph (3) of this subsection).

(2) For purposes of paragraph (1), the term "payment level modification" with respect to any State plan means that amount by which a State which for January 1971 made money payments under such plan to individuals or families with no other income which were less than 100 per centum of its standard of need could have increased such money payments without increasing (if it reduced its standard of need under such plan so that such increased money payments equaled 100 per centum of such standard of need) the non-Federal share of expenditures as aid or assistance for quarters in calendar year 1971 under the plans of such State approved under titles I, X, XIV, and XVI, and part A of title IV, of the Social Security Act.

(3) For purposes of paragraph (1), the term "bonus value of food stamps in a State for January 1971" (with respect to an individual or a family of a given size) means—

(A) the face value of the coupon allotment which would have been provided to such an individual or family under the Food Stamp Act of 1964 for January 1971, reduced by

(B) the charge which such an individual or family would have paid for such coupon allotment,

if the income of such individual or family, for purposes of determining the charge it would have paid for its coupon allotment, had been equal to the adjusted payment level under the State plan (including any payment level modification with respect to the plan adopted pursuant to paragraph (2) (but not including any amount under this paragraph)). The total face value of food stamps and the cost thereof in January 1971 shall be determined in accordance with rules prescribed by the Secretary of Agriculture in effect in such month.

(c) For purposes of this section, the term "non-Federal share of expenditures as aid or assistance for quarters in the calendar year 1971 under the plans of a State approved under titles I, X, XIV, and XVI, and part A of title IV of the Social Security Act" means the difference between—

(1) the total expenditures in such quarters under such plans for aid or assistance (excluding emergency assistance under section 406(e)(1)(A) of the Social Security Act, foster care under section 408 of such Act, expenditures authorized under section 1119 of such Act for repairing the home of an individual who was receiving aid or assistance under one of such plans, and benefits in the form of institutional services in intermediate care facilities authorized under section 1121 of such Act (as such sections were in effect prior to the enactment of this Act)), and

(2) the total of the amounts determined under sections 3, 403, 1003, 1403, and 1603 of the Social Security Act, under section 1118 of such Act, and under section 9 of the Act of April 19, 1950, for such State with respect to such expenditures in such quarters.

SPECIAL PROVISIONS FOR PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

SEC. 504. Section 1108 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(e)(1) In applying the provisions of—

"(A) subsections (a), (b), and (e)(1) of section 2011,

"(B) subsections (a)(2)(D) and (b)(2) of section 2012,

"(C) subsection (a) of section 2013,

"(D) subsections (a), (b), and (c) of section 2152,

"(E) subsections (a)(2)(C) and (b)(2) of section 2153, and the last sentence of subsection (b) of such section, and

"(F) the last sentence of section 2154(a), with respect to Puerto Rico, the Virgin Islands, or Guam, the dollar amounts to be used shall, instead of the figures specified in such provisions, be dollar amounts bearing the same ratio to the figures so specified as the per capita incomes of Puerto Rico, the Virgin Islands, and Guam, respectively, bear to the per capita income of that one of the States which has the lowest per capita income; except that in no case may the amounts so used exceed the figures so specified.

"(2)(A) The amounts to be used under such sections in Puerto Rico, the Virgin Islands, and Guam shall be promulgated by the Secretary between July 1 and September 30 of each odd-numbered year, on the basis of the average per capita income of each State for the most recent calendar year for which satisfactory data are available from the Department of Commerce. Such promulgation shall be effective for each of the two fiscal years in the period beginning July 1 next succeeding such promulgation.

"(B) The term 'State', for purposes of subparagraph (A) only, means the fifty States and the District of Columbia.

"(3) If the amounts which would otherwise be promulgated for any fiscal year for any of the three States referred to in paragraph (1) would be lower than the amounts promulgated for such State for the immediately preceding period, the amounts for such fiscal year shall be increased to the extent of the difference; and the amounts so increased shall be the amounts promulgated for such year."

DETERMINATIONS OF MEDICAID ELIGIBILITY

SEC. 505. Title XI of the Social Security Act (as amended by sections 221(a) and 241 of this Act) is amended by adding at the end thereof the following new section:

"DETERMINATIONS OF MEDICAID ELIGIBILITY

"SEC. 1124. The Secretary of Health, Education, and Welfare may enter into an agreement with any State which wishes to do so under which he (or the Secretary of Labor with respect to individuals eligible for benefits under part A of title XXI) will determine eligibility for medical assistance in any or all cases under such State's plan approved under title XIX. Any such agreement shall provide for payment by the State, for use by the Secretary in carrying out the agreement, of an amount equal to one-half of the cost of carrying out the agreement, but in computing such cost with respect to individuals eligible for benefits under title XX or under part A or part B of title XXI the Secretary shall include only those costs which are additional to the costs incurred in carrying out such title or such part."

ASSISTANT SECRETARY OF LABOR FOR THE OPPORTUNITIES FOR FAMILIES PROGRAM

SEC. 506. (a) There shall be in the Department of Labor an Assistant Secretary for the Opportunities for Families Program, who shall be appointed by the President by and with the advice and consent of the Senate and shall be the principal officer of the Department in carrying out the functions, powers, and duties vested in the Secretary of Labor by part A of title XXI of the Social Security Act (and by parts C and D of such title with respect to the families and benefits to which part A of such title relates), including the making of grants, contracts, agreements, and arrangements, the provision of child care services, the adjudication of claims, and the discharge of all other authority vested in the Secretary by such parts. The Assistant Secretary for the Opportunities for Families Program shall have sole responsibility within the Department of Labor, subject to the supervision and direction of the Secretary of Labor, for the administration of the program established by part A of such title XXI.

(b) Section 2 of the Act of April 17, 1946 (29 U.S.C. 553), is amended—

(1) by striking out "five" in the first sentence and inserting in lieu thereof "six"; and

(2) by inserting before the period at the end of the last sentence the following: ", and one shall be the Assistant Secretary of Labor for the Opportunities for Families Program".

(c) Paragraph (20) of section 5313 of title 5, United States Code, is amended by striking out "(5)" and inserting in lieu thereof "(6)".

TRANSITIONAL ADMINISTRATIVE PROVISIONS

SEC. 507. In order for a State to be eligible for any payments pursuant to title IV, V, XVI, or XIX of the Social Security Act with respect to expenditures for any quarter in the fiscal year ending June 30, 1973, and for the purpose of providing an orderly transition from State to Federal administration of assistance programs for adults and families with children, such State shall enter into agreements with the Secretary of Health, Education, and Welfare and the Secretary of Labor under which the State agencies responsible for administering or for supervising the administration of the plans approved under titles I, X, XIV, and XVI and part A of title IV of the Social Security Act will, on behalf of the Secretaries, administer all or such part or parts of the programs established by sections 301 and 401 of this Act (other than the manpower services, training, employment, and child care provisions of the program established by part A of title XXI of the Social Security Act as added by section 401 of this Act), during such portion of the fiscal year ending June 30, 1973, as may be provided in such agreements; except that no such agreement shall apply, in the administration of the program established by section 401 of this Act, with respect to any family in which both parents are present, neither parent is incapacitated, and the male parent is not unemployed.

CHILD CARE SERVICES FOR AFDC RECIPIENTS DURING TRANSITIONAL PERIOD

SEC. 508. Until the close of June 30, 1972, the Secretary of Health, Education, and Welfare may utilize his authority under section 2133 of the Social Security Act (as added by section 401 of this Act) to provide for the furnishing of child care services for members of families who are entitled to receive services under part A of title IV of the Social Security Act and who need child care services in order to accept and participate in employment or to participate in a work incentive program under part C of such title, as though such family members were individuals referred pursuant to section 2132(a) of such Act.

PART B—NEW SOCIAL SERVICES PROVISIONS

DEFINITION OF SERVICES

SEC. 511. (a) Subsection (d) of section 405 of the Social Security Act (as amended by section 402(k) of this Act) is amended to read as follows:

"(d) The term 'services for any individual receiving assistance to needy families with children' means any of the following services provided for any such individual:

"(1) family planning services, including medical services;

"(2) child care services required because of the employment, training, or illness or incapacity of the child's parent or other relative caring for him;

"(3) services to unmarried girls who are pregnant or already have children, for the purpose of arranging for prenatal and postnatal care of the mother and child, developing appropriate living arrangements for the child, and assisting the mother to complete school through the secondary level or secure training so that she may become self-sufficient;

"(4) protective services for children who are (or are in danger of) being abused, neglected, or exploited;

"(5) homemaker services when the usual homemaker becomes ill or incapacitated or is otherwise unable to care for the children in the family, and services to educate appropriate family members about household

and related financial management and matters pertaining to consumer protection;

"(6) nutrition services;

"(7) services to assist needy families with children to deal with problems of locating suitable housing arrangements and other problems of inadequate housing, and to educate them in practices of home management and maintenance;

"(8) educational services, including assisting appropriate family members in securing available adult basic education;

"(9) emergency services made available in connection with a crisis or urgent need of the family;

"(10) services to assist appropriate family members to engage in training or secure or retain employment;

"(11) services to assist individuals to meet problems resulting from drug abuse or alcohol abuse; and

"(12) information and referral services for individuals in need of services from other agencies (such as the health, education, or vocational rehabilitation agency, or private social agencies) and follow-up activities to assure that individuals referred to and eligible for available services from such other agencies received such services."

(b) Section 1605 of such Act (as amended by section 302(k) of this Act) is further amended to read as follows:

"DEFINITION

"SEC. 1605. For purposes of this title, the term 'services to the aged, blind, or disabled' means any of the following services provided for recipients of benefits under title XX or other needy individuals who are 65 years of age or older, blind, or disabled:

"(1) protective services for individuals who are (or are in danger of) being abused, neglected, or exploited;

"(2) homemaker services, including education in household and related financial management and matters of consumer protection, and services to assist aged, blind, or disabled individuals to remain in or return to their own homes or other residential situations and to avoid institutionalization or to assist in making appropriate living arrangements in the lowest cost in light of the care needed;

"(3) nutrition services, including the provision, in appropriate cases, of adequate meals, and education in matters of nutrition and the preparation of foods;

"(4) services to assist individuals to deal with problems of locating suitable housing arrangements and other problems of inadequate housing, and to educate them in practices of home maintenance and management;

"(5) emergency services made available in connection with a crisis or urgent need of an individual;

"(6) services, including child care in appropriate cases, to assist individuals to engage in training or secure or retain employment;

"(7) services to assist individuals to meet problems resulting from drug abuse or alcohol abuse; and

"(8) information and referral services for individuals in need of services from other agencies (such as the health, education, or vocational rehabilitation agency, or private social agencies) and follow-up activities to assure that individuals referred to and eligible for available services from such other agencies received such services."

AUTHORIZATION AND ALLOTMENT OF APPROPRIATIONS FOR SERVICES

SEC. 512. Title XI of the Social Security Act (as amended by sections 221(a), 241, 505, 526, and 542(10) of this Act) is further amended by adding at the end thereof the following new section:

"AUTHORIZATION AND ALLOTMENT OF APPROPRIATIONS FOR SERVICES

"SEC. 1125. (a) There are authorized to be appropriated, for the fiscal year ending June 30, 1973, and for each fiscal year thereafter, for payments to States under sections 403 and 1603 with respect to expenditures for training of personnel, services to the aged, blind, or disabled, and services for any individual receiving assistance to needy families with children, such sums as may be necessary; except that the amount so appropriated for payments with respect to expenditures other than expenditures for the services described in paragraphs (1) and (2) of section 405(d) shall not exceed $800,000,000 for the fiscal year ending June 30, 1973, or such sum as the Congress may specify for any fiscal year thereafter.

"(b) From the sums appropriated pursuant to subsection (a) for any fiscal year—

"(1) the Secretary shall allot to each State an amount which bears the same ratio to the amount so appropriated as the Federal share of expenditures in such State in the preceding fiscal year (exclusive of amounts reallotted to such State for such preceding fiscal year under subsection (c)) for services under titles I, X, XIV, and XVI, and part A of title IV (other than for child care and family planning services under such part), and for training under such titles and such part, bears to the total such Federal share in all the States, but in no case shall such amount with respect to any State for any fiscal year exceed the Federal share of such expenditures in such State in the preceding fiscal year (exclusive of any amounts reallotted to such State for such preceding fiscal year under subsection (c));

"(2) after the allotment pursuant to paragraph (1) has been made, from the sums remaining (if any) not in excess of $50,000,000, the Secretary shall allot to each State which has a service deficit (as defined in the last sentence of this subsection) an amount which bears the same ratio to such sums remaining as such deficit bears to the total of the service deficits of all the States having such deficits; and

"(3) after the allotment pursuant to paragraph (2) has been made, from the sums remaining (if any), the Secretary shall allot to each State an amount which bears the same ratio to such sums remaining as the number of individuals receiving benefits under sections 2011 and 2102 in such State bears to the number of such individuals in all the States.

As used in paragraph (2), the term 'service deficit', with respect to any State, means the amount by which (i) the average service expenditure (as defined in subsection (d)) per recipient of benefits under sections 2011 and 2102 in such State is less than (ii) the average of the expenditures for training and services under titles I, X, XIV and XVI and part A of title IV in all the States (other than child care and family planning services under such part) multiplied by the number of recipients of such benefits in such State.

"(c) The amount of any allotment pursuant to subsection (b) for any fiscal year which the Secretary determines will not be required for providing training and services described in subsection (a) under part A of title IV or under title XVI, shall be available for reallotment, for the same purposes for which it was originally made available, from time to time, on such dates as the Secretary may fix, to other States which the Secretary determines have need in providing such training and services of amounts in excess of those previously alloted to them under subsection (b), giving particular consideration to the needs of States for reallotments to prevent reduction or termination of any such services or training which are being provided.

"(d) For purposes of subsection (b)(2), the term 'average service expenditure' with respect to a State for any fiscal year means the amount obtained by dividing (1) the Federal share of expenditures in such State in the preceding fiscal year (exclusive of amounts reallotted to such State for such preceding fiscal year under subsection (c)) for training and services under titles I, X, XIV, and XVI, and part A of title IV (other than child care and family planning services under such part), by (2) the number of individuals in the State receiving benefits under sections 2011 and 2102.'"

ADOPTION AND FOSTER CARE SERVICES UNDER CHILD-WELFARE SERVICES PROGRAM

SEC. 513. Effective July 1, 1971, part B of title IV of the Social Security Act is amended by adding at the end thereof the following new section:

"ADOPTION AND FOSTER CARE SERVICES

"SEC. 427. (a) For purposes of this section—

"(1) the term 'foster care services', with respect to any State, means—

"(A) payments for foster care (including medical care not available under the State's plan approved under title XIX or under any other health program within the State) of a child for whom a public agency has responsibility, made to any agency, institution, or person providing such care, but only if such foster care meets standards prescribed by the Secretary, and

"(B) services and administrative activities related to the foster care of children, such as finding, evaluating, and licensing foster homes and institutions, supervising children in foster homes and institutions, and providing services to enable a child to remain in or return to his own home; and

"(2) the term 'adoption services' means—

"(A) services and administrative activities related to adoptions, including activities related to judicial proceedings, determinations of the amounts of the payments described in subparagraph (B), location of homes, and all activities related to placement, adoption, and post-adoption services, with respect to any child, and

"(B) payments (subject to such limitations as the Secretary may by regulation prescribe) to a person or persons adopting a child who is physically or mentally handicapped and who, for that reason, may be difficult to place for adoption, based on the financial ability of such person or persons to meet the medical and other remedial needs of such child.

"(b) In the case of any State which is eligible for payments under section 422, the Secretary shall, from the amounts allotted therefor, make payments to such State in an amount equal to 75 per centum of any expenditures for adoption services or foster care services.

"(c) There are authorized to be appropriated, in addition to sums appropriated for purposes of this section pursuant to section 421, for grants to States for adoption services and foster care services, the sum of $150,000,000 for the fiscal year ending June 30, 1972, the sum of $165,000,000 for the fiscal year ending June 30, 1973, the sum of $180,000,000 for the fiscal year ending June 30, 1974, the sum of $200,000,000 for the fiscal year ending June 30, 1975, and the sum of $220,000,000 for the fiscal year ending June 30, 1976, and each fiscal year thereafter.

"(d) From the sum appropriated pursuant to subsection (c), for any fiscal year, there shall be allotted to each State an amount which bears the same ratio to such sum as the number of children under age 21 in such State bears to the number of such children in all the States."

CONFORMING AMENDMENTS TO TITLE XVI AND PART A OF TITLE IV OF THE SOCIAL SECURITY ACT

SEC. 514. (a)(1) Section 1601 of the Social Security Act (as amended by section 302(b) of this Act) is amended—

(A) by inserting "subject to section 1125" immediately after "there is hereby authorized to be appropriated for each fiscal year" in the first sentence, and

(B) by striking out the second sentence.

(2) Section 1603(a) of such Act (as amended by section 302(g) of this Act) is amended to read as follows:

"(a) From the sums appropriated therefor, the Secretary shall pay to each State which has a plan approved under this title, for each quarter, an amount equal to 75 per centum of the total amounts expended during such quarter (subject to section 1125) as found necessary by the Secretary of Health, Education, and Welfare for proper and efficient administration of the plan for the purpose of providing services to the aged, blind, or disabled. Except to the extent specified by the Secretary, such services shall include only—

"(1) services provided by the staff of the State agency, or of the local agency administering the State plan in the political subdivision: *Provided*, That no funds authorized under this title shall be available for services defined as vocational rehabilitation services under the Vocational Rehabilitation Act (A) which are available to individuals in need of them under programs for their rehabilitation carried on under a State plan approved under such Act, or (B) which the State agency or agencies administering or supervising the administration of the State plan approved under Act are able and willing to provide if reimbursed for the cost thereof pursuant to agreement under paragraph (2), if provided by such staff, and

"(2) subject to limitations prescribed by the Secretary, services which in the judgment of the State agency cannot be as economically or as effectively provided by the staff of such State or local agency and are not otherwise reasonably available to individuals in need of them, and which are provided, pursuant to agreement with the State agency, by the State health authority or the State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act or by any other State agency which the Secretary may determine to be appropriate (whether provided by its staff or by contract with public (local) or nonprofit private agencies);

except that services described in clause (B) of paragraph (1) may be provided only pursuant to agreement with such State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services so approved."

(b)(1) Section 401 of such Act (as amended by section 402(c) of this Act) is amended—

(A) by inserting "(subject to section 1125)" immediately after "there is hereby authorized to be appropriated for each fiscal year" in the first sentence, and

(B) by striking out the second sentence.

(2) Section 402(a)(8) of such Act (as amended by sections 524(a) and 402(d)(1)(I) of this Act, and redesignated by section 402(d)(2) of this Act) is amended by striking out "family services" and inserting in lieu thereof "services for any individual receiving assistance to needy families with children".

(3) Section 403(a)(2) of such Act (as amended by section 402(g) of this Act) is amended—

(A) by inserting "(subject to section 1125)" immediately after "an amount equal to the following proportions of the total amounts expended during such quarter" in the portion of such paragraph which precedes subparagraph (A),

(B) by striking out "any of the services described in clauses (8) and (9) of section 402(a)" and inserting in lieu thereof "any of the services described in section 405(d)" in clauses (i) and (ii) in subparagraph (A), and

(C) by striking out "child-welfare services, family planning services, and family services" in the matter following subparagraph (D) and inserting in lieu thereof "services under the plan".

PART C—PUBLIC ASSISTANCE AMENDMENTS EFFECTIVE IMMEDIATELY

ADDITIONAL REMEDIES FOR STATE NONCOMPLIANCE

SEC. 521. (a) Section 1116 of the Social Security Act is amended by adding at the end thereof the following new subsections:

"(e) In any case in which the Secretary determines that a State has failed in a substantial number of cases—

"(1) to make payments as required by title I, X, XIV, XVI, or XIX or part A of title IV, or

"(2) to make payments in the amount prescribed under the appropriate State plan (which complies with the conditions for approval under such title or part),

he may require the State to make retroactive payment to all persons affected by such failure in order to assure, to the maximum extent possible, that with respect to each such person the sum of the aid or assistance actually received during the period in which such failure occurred plus such retroactive payments are equal to the amount of aid or assistance he would have received for such period had such failure not occurred, but such payments shall not be required with respect to any period prior to the date of the enactment of the Social Security Amendments of 1971. Expenditures for such retroactive payments shall be considered to have been made under the State plan approved under such title or part for purposes of determining the amount of the Federal payment with respect to such plan. In any case in which the Secretary does add such a requirement for retroactive payments pursuant to the preceding provisions of this subsection, the State shall disregard the amount of such retroactive payments for purposes of determining the amount of aid or assistance payable to such persons after such failure has been corrected. The Secretary may prescribe such methods of administration as he finds necessary to carry out a requirement for retroactive payments imposed under this subsection and such requirement and methods shall be deemed necessary for the proper and efficient operation of the plan under which such failure occurred.

"(f) In any case in which the Secretary has found, in accordance with the procedures of title I, X, XIV, XVI, or XIX, or part A of title IV, that in the administration of the State plan approved under such title or part there is a failure to comply substantially with any provision which is required by such title or part to be included in such plan, the Secretary may prescribe such methods of administration as he finds appropriate to correct such administrative noncompliance within a reasonable period of time and, upon obtaining assurances satisfactory to him that such methods will be undertaken (including a timetable for implementation of such methods which specifies a date by which there will no longer exist such administrative noncompliance), he may, instead of withholding payments under the title or part with respect to which such failure occurred, continue to make payments (in accordance with such title or part) to such State with respect to expenditures under such plan (for so long as he remains satisfied that the timetable is being substantially followed.)

"(g) If the Secretary has reason to believe that a State plan which he has approved under title I, X, XIV, XVI, or XIX, or part A of title IV, no longer complies with all requirements of such title or part, or that in the administration of such plan there is a failure to comply substantially with any such requirements, the Secretary may (in addition to or instead of withholding payments under such title or part) request the Attorney General to bring suit to enforce such requirements."

(b) The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

STATEWIDENESS NOT REQUIRED FOR SERVICES

SEC. 522. (a) Section 2(a) of the Social Security Act is amended by inserting "except to the extent permitted by the Secretary with respect to services," before "provide" at the beginning of paragraph (1).

(b) Section 402(a) of such Act is amended by inserting "except to the extent permitted by the Secretary with respect to services," before "provide" at the beginning of clause (1).

(c) Section 1002(a) of such Act is amended by inserting "except to the extent permitted by the Secretary with respect to services," before "provide" at the beginning of clause (1).

(d) Section 1402(a) of such Act is amended by inserting "except to the extent permitted by the Secretary with respect to services," before "provide" at the beginning of clause (1).

(e) Section 1602(a) of such Act is amended by inserting "except to the extent permitted by the Secretary with respect to services," before "provide" at the beginning of paragraph (1).

(f) The amendments made by this section shall take effect on the date of the enactment of this Act.

OPTIONAL MODIFICATION IN DISREGARDING OF INCOME UNDER STATE PLANS FOR AID TO FAMILIES WITH DEPENDENT CHILDREN

SEC. 523. (a) Section 402(a)(8) of the Social Security Act is amended by inserting after "the State agency" where it first appears the following: "(subject to subsection (d))".

(b) Section 402 of such Act is further amended by adding at the end thereof the following new subsection:

"(d) Any State may modify its State plan approved under this section—

"(1) to provide—

"(A) that, for purposes of determining the amount of payment, expenses attributable to the earning of income shall not be taken into consideration as otherwise required by subsection (a)(7), and

"(B) that the State agency shall with respect to any month disregard (in lieu of the amount such agency is otherwise required to disregard under clause (A)(ii) of subsection (a)(8), in the case) of earned income of a dependent child not included under clause (A)(i) of such subsection, a relative receiving such aid, and any other individual (living in the same home as such relative and child) whose needs are taken into account in making the determination under subsection (a)(7), the first $60 of the total of such earned income for such month plus one-third of the remainder of such income for such month (subject to the parenthetical exception in such clause (A)(ii)), plus any expenses incurred by members of the family for child care with respect to such dependent child and any other dependent children in the family; or

"(2) to provide that the total amount which may be disregarded under clauses (A)(ii) and (B) of subsection (a)(8), and under the provision of subsection (a)(7) insofar as it relates to expenses of child care, shall not exceed the lesser of—

"(A) $2,000 plus $200 for each member of the family in excess of four, or

"(B) $3,000,

or a proportionately smaller amount for periods shorter than a year; or

"(3) to include in such plan both the pro-

visions specified in paragraph (1) and the provision specified in paragraph (2)."

(c) The amendments made by this section shall take effect on the date of the enactment of this Act.

INDIVIDUAL PROGRAMS FOR FAMILY SERVICES NOT REQUIRED

SEC. 524. (a) Section 402(a)(14) of the Social Security Act is amended—

(1) by striking out "a program for";

(2) by striking out "for each child and relative who receives aid to families with dependent children, and each appropriate individual (living in the same home as a relative and child whose needs are taken into account in making the determination under clause (7))" and inserting in lieu thereof "for children and relatives receiving aid to families with dependent children and appropriate individuals (living in the same home) whose needs are taken into account in making the determination under clause (7)"; and

(3) by striking out "such child, relative, and individual" each place it appears and inserting in lieu thereof "such children, relatives, and individuals".

(b) The amendments made by subsection (a) shall take effect on the date of the enactment of this Act, or, in the case of any State, on such later date (not after July 1, 1972) as may be specified in the modification made in the State's plan approved under section 402 of the Social Security Act to carry out such amendments.

ENFORCEMENT OF SUPPORT ORDERS AGAINST CERTAIN SPOUSES OF PARENTS OF DEPENDENT CHILDREN

SEC. 525. (a) Section 402(a)(17) of the Social Security Act is amended—

(1) by striking out "and" at the end of clause (i), and

(2) by adding after clause (ii) the following new clause:

"(iii) in the case of any parent (of a child referred to in clause (ii) receiving such aid who has been deserted or abandoned by his or her spouse, to secure support for such parent from such spouse (or from any other person legally liable for such support), utilizing any reciprocal arrangements adopted with other States to obtain or enforce court orders for support, and".

(b) Section 402(a)(21) of such Act is amended—

(1) by striking out "each parent" in clause (A) and inserting in lieu thereof "each person who is the parent",

(2) by inserting "or is the spouse of the parent of such a child or children" after "under the State plan" in clause (A),

(3) by inserting "or such parent" after "such child or children" in clause (A)(i), and

(4) by striking out "such parent" each place it appears in clause (B) and inserting in lieu thereof "such person".

(c) Section 402(a)(22) of such Act is amended—

(1) by striking out "a parent" each place it appears and inserting in lieu thereof "a person",

(2) by striking out "a child or children of such parent" each place it appears and inserting in lieu thereof "the spouse or a child or children of such person", and

(3) by striking out "against such parent" and inserting in lieu thereof "against such person".

(d) The amendments made by this section shall take effect on the date of the enactment of this Act, or, in the case of any State, on such later date (not after July 1, 1972) as may be specified in the modification made in the State's plan approved under section 402 of the Social Security Act to carry out such amendments.

SEPARATION OF SOCIAL SERVICES AND CASH ASSISTANCE PAYMENTS

SEC. 526. Title XI of the Social Security Act (as amended by sections 221(a), 241, and 505 of this Act) is amended by adding at the end thereof the following new section:

"SEPARATION OF SOCIAL SERVICES AND CASH ASSISTANCE PAYMENTS

"SEC. 1125. Each State, in the administration of its State plans approved under section 2, 402, 1002, 1402, or 1602, shall develop and submit to the Secretary on or before January 1, 1972, a proposal (1) providing that, to the extent services under any such State plan are furnished by the staff of the State or local agency administering such plan in any political subdivision of such State, such staff will be located, by July 1, 1972, in organizational units (up to such organizational levels as the Secretary may prescribe) which are separate and distinct from the units within such agencies responsible for determining eligibility for any form of cash assistance paid on a regularly recurring basis or for performing any functions directly related thereto, but subject to any exceptions which, in accordance with standards prescribed in regulations, the Secretary may permit when he deems it necessary in order to ensure the efficient administration of such plan, and (2) indicating the steps to be taken and the methods to be followed in carrying out the proposal."

INCREASE IN REIMBURSEMENT TO STATES FOR COSTS OF ESTABLISHING PATERNITY AND LOCATING AND SECURING SUPPORT FROM PARENTS

SEC. 527. (a) Section 403(a)(3)(A) of the Social Security Act is amended by striking out "or" at the end of clause (ii), by striking out "; plus" at the end of clause (iii) and inserting in lieu thereof ", or", and by inserting after clause (iii) the following new clause:

"(iv) the cost of carrying out the requirements of clauses (17), (18), (21), and (22) of section 402(a); plus".

(b) The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

REDUCTION OF REQUIRED STATE SHARE UNDER EXISTING WORK INCENTIVE PROGRAM

SEC. 528. (a) Section 402(a)(19)(C) of the Social Security Act is amended by striking out "20 per centum" and inserting in lieu thereof "10 per centum".

(b) Section 435(a) of such Act is amended by striking out "80 per centum" and inserting in lieu thereof "90 per centum".

(c) Section 443 of such Act is amended by striking out "20 per centum" each place it appears and inserting in lieu thereof "10 per centum".

(d) The amendments made by this section shall apply with respect to costs incurred on and after July 1, 1971.

PAYMENT UNDER AFDC PROGRAM FOR NONRECURRING SPECIAL NEEDS

SEC. 529. (a) Section 406(b) of the Social Security Act is amended by striking out "and includes" and inserting in lieu thereof "and, in the case of nonrecurring special needs (as determined in accordance with regulations prescribed by the Secretary) which involve a cost of $50 or more, includes a payment with respect to a dependent child (and the relative with whom he is living) which is made directly to the person furnishing the food, living accommodations, or other goods, services, or items necessary to meet such needs. Such term also includes".

(b) The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

PART D—LIBERALIZATION OF INCOME TAX TREATMENT OF CHILD CARE EXPENSES AND RETIREMENT INCOME

LIBERALIZATION OF CHILD CARE DEDUCTION

Increase in Dollar Limits

SEC. 531. (a) Paragraph (1) of section 214(b) of the Internal Revenue Code of 1954 (relating to expenses for care of certain dependents) is amended to read as follows:

"(1) DOLLAR LIMIT.—

"(A) Except as provided in subparagraphs (B) and (C), the deduction under subsection (a) shall not exceed $750 for any taxable year.

"(B) The $750 limit of subparagraph (A) shall be increased (to an amount not above $1,125) by the amount of expenses incurred by the taxpayer for any period during which the taxpayer had 2 dependents.

"(C) The dollar limits of subparagraphs (A) and (B) shall be increased (to an amount not above $1,500) by the amount of expenses incurred by the taxpayer for any period during which the taxpayer had three or more dependents."

Liberalization of income test for working wives and husbands with incapacitated wives

(b) Paragraph (2)(B) of section 214(b) of such code is amended by striking out "$6,000" and inserting in lieu thereof "$12,000".

Effective date

(c) The amendments made by this section shall apply to taxable years beginning after December 31, 1971.

LIBERALIZATION OF RETIREMENT INCOME CREDIT

In general

SEC. 532. (a) Section 37 of the Internal Revenue Code of 1954 (relating to retirement income) is amended to read as follows:

"SEC. 37. CREDIT FOR THE ELDERLY.

"(a) GENERAL RULE.—In the case of an individual—

"(1) who has attained the age of 65 before the close of the taxable year, or

"(2) who has not attained the age of 65 before the close of the taxable year but who has public retirement system pension income for the taxable year,

there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 15 percent of such individual's section 37 amount for such taxable year.

"(b) SECTION 37 AMOUNT.—For purposes of subsection (a)—

"(1) IN GENERAL.—An individual's section 37 amount for the taxable year is the applicable initial amount determined under paragraph (2), reduced as provided in paragraph (3).

"(2) INITIAL AMOUNT.—The initial amount is—

"(A) $2,500 in the case of a single individual,

"(B) $2,500 in the case of a joint return where only one spouse is eligible for the credit under this section,

"(C) $3,750 in the case of a joint return where both spouses are eligible for the credit under this section, or

"(D) $1,875 in the case of a married individual filing a separate return.

"(3) REDUCTION.—Except as provided in paragraphs (4) and (5)(B), the reduction under this paragraph in the case of any individual is—

"(A) any amount received by such individual as a pension or annuity—

"(i) under title II of the Social Security Act,

"(ii) under the Railroad Retirement Act of 1935 or 1937, or

"(iii) otherwise excluded from gross income, plus

"(B) in the case of any individual who has not attained age 72 before the close of the taxable year—

"(i) except as provided in clause (ii), one-half the amount of earned income received by such individual in the taxable year in excess of $2,000, or

"(ii) if such individual has not attained age 62 before the close of the taxable year, and if such individual (or his spouse under age 62) is eligible for a credit by reason of subsection (a)(2), any amount of earned income in excess of $1,000 received by such individual in the taxable year.

"(4) SPECIAL RULES FOR DETERMINING THE REDUCTION PROVIDED IN PARAGRAPH (3).—

"(A) JOINT RETURNS.—In the case of a joint return, the reduction under paragraph (3) shall be the aggregate of the amounts resulting from applying paragraph (3) separately to each spouse.

"(B) SEPARATE RETURNS OF MARRIED INDIVIDUALS.—In the case of a separate return of a married individual, paragraph (3)(B)(i) shall be applied by substituting '$1,000' for '$2,000', and paragraph (3)(B)(ii) shall be applied by substituting '$500' for '$1,000'.

"(C) NO REDUCTION FOR CERTAIN AMOUNTS EXCLUDED FROM GROSS INCOME.—No reduction shall be made under paragraph (3)(A) for any amount excluded from gross income under section 72 (relating to annuities), 101 (relating to life insurance proceeds), 104 (relating to compensation for injuries or sickness), 105 (relating to amounts received under accident and health plans), 402 (relating to taxability of beneficiary of employees' trust), or 403 (relating to taxation of employee annuities).

"(5) SPECIAL RULES FOR INDIVIDUALS ELIGIBLE UNDER SUBSECTION (a)(2).—

"(A) Except as provided in subparagraph (B), the section 37 amount of an individual who is eligible for a credit by reason of subsection (a)(2) shall not exceed such individual's public retirement system pension income for the taxable year.

"(B) In the case of a joint return where one spouse is eligible by reason of subsection (a)(1) and the other spouse is eligible by reason of subsection (a)(2), subparagraph (A) shall not apply but there shall be an additional reduction under paragraph (3) in an amount equal to the excess (if any) of $1,250 over the amount of the public retirement system pension income of the spouse who is eligible by reason of subsection (a)(2).

"(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) EARNED INCOME.—The term 'earned income' has the meaning assigned to such term in section 911(b), except that such term does not include any amount received as a pension or annuity. The determination of whether earned income is the earned income of the husband or the earned income of the wife shall be made without regard to community property laws.

"(2) MARITAL STATUS.—Marital status shall be determined under section 153.

"(3) JOINT RETURN.—The term 'joint return' means the joint return of a husband and wife made under section 6013.

"(4) PUBLIC RETIREMENT SYSTEM PENSION INCOME.—An individual's public retirement system pension income for the taxable year is his income from pensions and annuities under a public retirement system for personal services performed by him or his spouse, to the extent included in gross income without reference to this section, but only to the extent such income does not represent compensation for personal services rendered during the taxable year. The amount of such income taken into account with respect to any individual for any taxable year shall not exceed $2,500. For purposes of this paragraph, the term 'public retirement system' means a pension, annuity, retirement, or similiar fund or system established by the United States, a State, a possession of the United States, any political subdivision of any of the foregoing, or the District of Columbia.

"(d) NONRESIDENT ALIEN INELIGIBLE FOR CREDIT.—No credit shall be allowed under this section to any nonresident alien."

Technical Amendments

(b)(1) Section 904 of the Internal Revenue Code of 1954 (relating to limitation on foreign tax credit) is amended by redesignating subsection (g) as subsection (h), and by inserting after subsection (f) the following new subsection.

"(g) COORDINATION WITH CREDIT FOR THE ELDERLY.—In the case of an individual, for purposes of subsection (a) the tax against which the credit is taken is such tax reduced by the amount of the credit (if any) for the taxable year allowable under section 37 (relating to credit for the elderly)."

(2) Section 6014 (a) of such Code (relating to tax not computed by taxpayer) is amended by striking out the last sentence thereof.

(3) Section 6014(b) of such Code is amended—

(A) by striking out paragraph (4),

(B) by redesignating paragraph (5) as paragraph (4), and

(C) by inserting "or" at the end of paragraph (3).

(4) Sections 46(a)(3)(C), 56(a)(2)(A)(ii), and 56(c)(1)(B) of such Code are each amended by striking out "retirement income" and inserting in lieu thereof "credit for the elderly".

(5) The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by striking out the item relating to section 37 and inserting in lieu thereof the following:

"Sec. 37. Credit for the elderly."

Effective Date

(c) The amendments made by this section shall apply to taxable years beginning after December 31, 1971.

PART E—MISCELLANEOUS CONFORMING AMENDMENTS

CONFORMING AMENDMENT TO SECTION 228(D)

SEC. 541. Section 228(d)(1) of the Social Security Act is amended by striking out "receives aid or assistance in the form of money payments in such month under a State plan approved under title I, X, XIV, or XVI, or part A of title IV" and inserting in lieu thereof "receives payments with respect to such month pursuant to title XX or part A or part B of title XXI".

CONFORMING AMENDMENTS TO TITLE XI

SEC. 542. Title XI of the Social Security Act is amended—

(1)(A) by striking out "I,", "X,", and "XIV," in section 1101(a)(1),

(B) by striking out "and XIX" in such section and inserting in lieu thereof "XIX, XX, and XXI", and

(C) by inserting "(and when used in part C or D of title XXI)" after "requires" in section 1101(a)(6);

(2) by striking out "I, X, XIV, XVI," in section 1106(c)(A) and inserting in lieu thereof "XVI";

(3)(A) by striking out "and each fiscal year thereafter" in paragraphs (1)(E), (2)(E), and (3)(E) of section 1108(a), and

(B) by striking out section 1108(b);

(4) by striking out the text of section 1109 and inserting in lieu thereof the following:

"SEC. 1109. Any amount which is disregarded in determining the eligibility for and amount of payments to any individual pursuant to title XX or any family pursuant to part A or B of title XXI, shall not be taken into consideration in determining the eligibility for or amount of such payments to any other individual or family under such title XX or part A or B of title XXI.";

(5) by striking out "title I, X, XIV, and XVI, and part A of title IV" in section 1111 and inserting in lieu thereof "title XX or part A or B of title XXI";

(6)(A) by striking out "I, X, XIV, XVI," in the matter preceding clause (a) in section 1115, and inserting in lieu thereof "XVI",

(B) by striking out "of section 2, 402, 1002, 1402, 1602, or 1902" in clause (a) of such section and inserting in lieu thereof "of section 402, 1602, or 1902,", and

(C) by striking out "under section 3, 403, 1003, 1403, 1603, or 1903" in clause (b) of such section and inserting in lieu thereof "under section 403, 1603, or 1903,";

(7)(A) by striking out "I, X, XIV, XVI," in subsections (a)(1), (b), and (d) of section 1116 and inserting in lieu thereof "XVI",

(B) by striking out "under section 4, 404, 1004, 1404, 1604," in subsection (a)(3) of such section and inserting in lieu thereof "under section 404, 1604,",

(C) by striking out "I, X, XIV, XVI, or XIX or part A of title IV" in subsection (e) of such section (as added by section 521 of this Act) and inserting in lieu thereof "XIX",

(D) by striking out "I, X, XIV, XVI," in subsection (f) of such section (as so added) and inserting in lieu thereof "XVI", and

(E) by striking out "I, X, XIV, XVI," in subsection (g) of such section (as so added) and inserting in lieu thereof "XVI";

(8) by repealing section 1118;

(9)(A) by striking out "aid or assistance, other than medical assistance to the aged, under a State plan approved under title I, X, XIV, or XVI, or part A of title IV" in section 1119 and inserting in lieu thereof "services under a State plan approved under part A of title IV or under title XVI", and

(B) by striking out "under section 3(a), 403(a), 1003(a), 1403(a), or 1603(a)" in such section and inserting in lieu thereof "under section 403(a) or 1603(a)";

(10) by repealing section 1125 (as added by section 526 of this Act); and

(11) effective July 1, 1973—

(A) by striking out "services under titles I, X, XIV, and XVI," in subsection (b)(1) of section 1125 (as added by section 512 of this Act) and inserting in lieu thereof "services under title XVI",

(B) by striking out "under such titles" in such subsection (b)(1) and inserting in lieu thereof "under such title",

(C) by striking out "services under titles I, X, XIV, and XVI" in the last sentence of subsection (b) of such section (as so added) and inserting in lieu thereof "services under title XVI", and

(D) by striking out "services under titles I, X, XIV, and XVI," in subsection (d) of such section (as so added) and inserting in lieu thereof "services under title XVI".

CONFORMING AMENDMENTS TO TITLE XVIII

SEC. 543. (a) Section 1843 of the Social Security Act is amended by striking out subsections (a) and (b) and inserting in lieu thereof the following:

"(a) Subject to section 1902(e), the Secretary at the request of any State shall, notwithstanding the repeal of titles I, X, and XIV by section 303 of the Social Security Amendments of 1971 and the amendments made to title XVI and part A of title IV by sections 302 and 402 of such Amendments, continue in effect the agreement entered into under this section with such State insofar as it includes individuals who are eligible to receive benefits under title XX or XXI or are otherwise eligible to receive medical assistance under the plan of such State approved under title XIX.

"(b) The provisions of subsection (h)(2) of this section as in effect before the effective date of the repeal and amendments referred to in subsection (a) shall continue to apply with respect to the individuals included in any such agreement after such date."

(b) Section 1843(c) of such Act is amended by striking out the semicolon and all that follows and inserting in lieu thereof a period.

(c) Section 1843(d)(3) of such Act is amended to read as follows:

"(3) his coverage period attributable to the agreement with the State under this section shall end on the last day of any month in which he is determined by the State agency to have become ineligible for medical assistance."

(d) Section 1843(f) of such Act is amended—

(1) by striking out "receiving money payments under the plan of a State approved under title I, X, XIV, or XVI or part A of title IV, or";

(2) by striking out "if the agreement entered into under this section so provides,";

(3) by striking out "I, XVI, or"; and

(4) by striking out "individuals receiving money payments under plans of the State approved under titles I, X, XIV, and XVI, and part A of title IV, and".

(e) Section 1843 of such Act is further amended by striking out subsections (g) and (h).

CONFORMING AMENDMENTS TO TITLE XIX

SEC. 544. Title XIX of the Social Security Act is amended—

(1) by striking out "families with dependent children" in clause (1) of the first sentence of section 1901 and inserting in lieu thereof "needy families with children", and by striking out "permanently and totally" in such clause;

(2) by striking out ", except that the determination of eligibility for medical assistance under the plan shall be made by the State or local agency administering the State plan approved under title I or XVI (insofar as it relates to the aged)" in section 1902(a)(5);

(3) by striking out "effective July 1, 1969," in section 1902(a)(11)(B);

(4) by striking out section 1902(a)(13)(B) and inserting in lieu thereof the following:

"(B) in the case of individuals described in paragraph (10) with respect to whom medical assistance must be made available, for the inclusion of at least the care and services listed in clauses (1) through (5) of section 1905(a), and";

(5)(A) by striking out "receiving aid or assistance under a State plan approved under title I, X, XIV, or XVI, or part A of title IV, or who meet the income and resources requirement of the one of such State plans which is appropriate" in the matter in section 1902(a)(14)(A) (as amended by section 208(a) of this Act) which precedes clause (i) and inserting in lieu thereof "receiving assistance to needy families with children as defined in section 405(b) or assistance for the aged, blind, and disabled under title XX, or who meet the income and resources requirements for such assistance", and

(B) by striking out "who are not receiving aid or assistance under any such State plan and who do not meet the income and resources requirements of the one of such State plans which is appropriate" in the matter in section 1902(a)(14)(B) which precedes clause (i) and inserting in lieu thereof "who are not receiving assistance to needy families with children as defined in section 405(b) or assistance for the aged, blind, and disabled under title XX and who do not meet the income and resources requirements for such assistance";

(6) by striking out "who are not receiving aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part A of title IV," in the portion of section 1902(a)(17) which precedes clause (A) and inserting in lieu thereof "other than those described in paragraph (10) with respect to whom medical assistance must be made available,", and

(D) by striking out "or is blind or permanently and totally disabled" in clause (D) of such section;

(7) by striking out "or is blind or permanently and totally disabled" in section 1902(a)(18);

(8) by striking out "section 3(a)(4)(A)(i) and (ii) or section 1603(a)(4)(A)(i) and (ii)" in section 1902(a)(20)(C) and inserting in lieu thereof "section 1603(a)(1)(A) and (B)";

(9) by striking out "effective July 1, 1969," in sections 1902(a)(24) and 1902(a)(26);

(10) by striking out "(after December 31, 1969)" in section 1902(a)(28)(F)(i);

(11) by striking out the last sentence of section 1902(a);

(12) by striking out section 1902(b)(2) and inserting in lieu thereof the following:

"(2) any age requirement which excludes any individual who has not attained age 22 and is or would, but for the provisions of section 2155(b)(2), be a member of a family eligible for assistance to needy families with children as defined in section 405(b) or be eligible for foster care in accordance with section 406; or";

(13) by striking out section 1902(c);

(14)(A) by striking out "and section 1117" and ", beginning with the quarter commencing January 1, 1966" in the matter preceding clause (1) of section 1903(a), and

(B) by striking out "money payments under a State plan approved under title I, X, XIV, or XVI, or part A of title IV" in clause (1) of such section and inserting in lieu thereof "assistance to needy families with children as defined in section 405(b) or assistance for the aged, blind, and disabled under title XX, or payments for foster care in accordance with section 406,";

(15) by striking out section 1903(c);

(16) effective July 1, 1973, by striking out "each of the plans of such State approved under title I, X, XIV, or XVI, and XIX" in section 1903(j)(2) (as added by section 225 of this Act) and inserting in lieu thereof "the State plan";

(17) by striking out "has been so changed that it" in section 1904(1);

(18)(A) by striking out "not receiving aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part A of title IV, who are—" in the matter preceding clause (i) in section 1905(a) and inserting in lieu thereof "who are not receiving assistance to needy families with children as defined in section 405(b) or assistance for the aged, blind, and disabled under title XX, or with respect to whom payments for foster care are not being made in accordance with section 406, who are—",

(B) by striking out clause (ii) of such section and inserting in lieu thereof the following:

"(ii) members of a family, as described in section 2155(a), except a family in which both parents of the child or children are present, neither parent is incapacitated, and the male parent is not unemployed,",

(C) by striking out clauses (iv) and (v) of such section and inserting in lieu thereof the following:

"(iv) blind as defined in section 2014(a)(2),

"(v) disabled as defined in section 2014(a)(3), or",

(D) by striking out "aid or assistance under State plans approved under title I, X, XIV, or XVI" in clause (vi) of such section and inserting in lieu thereof "benefits under title XX", and

(F) by striking out "aid or assistance furnished to such individual (under a State plan approved under title I, X, XIV, or XVI), and such person is determined, under such a State plan," in the second sentence of section 1905(a) and inserting in lieu thereof "benefits paid to such individual under title XX, and such person is determined"; and

(19) by striking out the semicolon and everything that follows in the second sentence of section 1905(b) and inserting in lieu thereof a period.

The CHAIRMAN. Under the rule, no amendments are in order to the bill or the committee amendment in the nature of a substitute except amendments offered by direction of the Committee on Ways and Means, provided, however, that one motion to strike out all of title IV of the committee amendment in the nature of a substitute may be considered.

Are there any committee amendments to be offered at this time?

Mr. MILLS of Arkansas. Mr. Chairman, there are two committee amendments, and I offer the first of them and ask for its speedy consideration. It is a fairly technical amendment.

AMENDMENT OFFERED BY MR. MILLS OF ARKANSAS TO THE COMMITTEE AMENDMENT IN THE NATURE OF A SUBSTITUTE

The Clerk read as follows:

Amendment offered by Mr. MILLS of Arkansas to the committee amendment in the nature of a substitute:

Page 252, line 10, strike out "(ii)" and insert "(i)".

Page 268, line 7, before the comma insert "and inserting in lieu thereof ', or' ".

Page 272, lines 18 and 20, strike out the semicolons and insert commas.

Page 293, line 14, strike out "and" and insert "and—".

Page 384, line 4, strike out "subparagraph (A)" and insert "paragraph (1)".

Page 384, line 5, strike out "paragraph (3)" and insert "this paragraph".

Page 581, line 25, and page 582, line 1, strike out "families which include one or more individuals registered pursuant to section 2111(a)" and insert "families receiving benefits under this part".

Page 640, line 3, insert a comma after "title IV".

Page 649, line 8, strike out the single quotation mark and insert a double quotation mark.

Mr. MILLS of Arkansas (during the reading). Mr. Chairman, I ask unanimous consent to dispense with further reading of this amendment, since it is merely technical in nature and conforming, and that it be printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The CHAIRMAN. The question is on the amendment to the committee amendment in the nature of a substitute.

The amendment to the committee amendment in the nature of a substitute was agreed to.

AMENDMENT OFFERED BY MR. MILLS OF ARKANSAS TO THE COMMITTEE AMENDMENT IN THE NATURE OF A SUBSTITUTE

Mr. MILLS of Arkansas. Mr. Chairman, I offer an amendment which is substantive in nature and ask for its immediate consideration.

The Clerk read as follows:

Amendment offered by Mr. MILLS of Arkansas to the committee amendment in the nature of a substitute: On page 645, after line 25, insert the following new section (and conform the table of contents on page 242):

STATE SUPPLEMENTAL PAYMENTS DURING TRANSITIONAL PERIOD

SEC. 509. (a) In order to be eligible for any payments pursuant to title IV, V, XVI, or XIX of the Social Security Act with respect to expenditures for any quarter beginning after June 30, 1972, and for the purpose of

assuring that needy individuals and families will not suffer an automatic reduction in their aid or assistance by reason of the enactment of this Act, any State which as of July 1, 1972, does not have in effect agreements entered into pursuant to sections 2016 and 2156 of the Social Security Act which either specify the payment levels thereunder or are federally administered shall, for each month beginning with July 1972 and continuing until the close of June 1973 or until the State (whether before or after the close of June 1973) enters into (and has in effect) agreements pursuant to such sections which specify such levels or are so administered, or otherwise takes affirmative action to the contrary on the basis of legislation (other than legislation which prevents the State from entering into such agreements), make supplementary payments meeting the requirements of such sections to each individual or family who is eligible for benefits under title XX or XXI of the Social Security Act, as added by this Act, to such extent and in such amounts as may be necessary to assure that the total of such benefits and such supplementary payments is at least equal to—

(1) the amount of the aid or assistance which would be payable to such individual or family under the appropriate plan of such State approved under title I, X, XIV, or XVI, or part A of title IV, of the Social Security Act, as in effect in June 1971, or, if the State by affirmative action modifies such plan after June 1971 and before July 1972, as in effect after such modification becomes effective, if such plan (as so in effect) had continued in effect through such month after June 1972, plus

(2) the bonus value of the food stamps which were provided (or were available) to such individual or family under the Food Stamp Act of 1964 for June 1971 or for the month in which a modification referred to in paragraph (1) becomes effective.

For purposes of this subsection, an agreement entered into pursuant to section 2016 or 2156 of the Social Security Act is federally administered if it provides that the Secretary of Health, Education, and Welfare will, on behalf of the State, make the supplementary payments under such agreement to individuals or families eligible therefor.

(b) Supplementary payments made as provided in subsection (a) shall be considered as assistance excludable from income under section 2013(b)(4) or 2154(b)(5).

Mr. MILLS of Arkansas (during the reading). Mr. Chairman, I ask unanimous consent to dispense with further reading of the amendment and that it be printed in the RECORD. I will take a minute to explain it.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MILLS of Arkansas. Mr. Chairman, the amendment is intended to deal with the situation where a State has not been able to enact enabling legislation, or to take other affirmative action, which sets the amount of supplementation of Federal benefits, or provides no such supplementation. The amendment provides that, in such a case, the State supplementation for July 1972, would be set at an amount which would maintain the benefit levels in existence in June 1971—plus the value of food stamps—or a later month before July 1972, if the State changes the levels in that period. The provision would be nullified as soon as the State took action to set the supplementary amount, including a decision not to have any supplementation, and would continue beyond June 1973, only if the State has not by then taken affirmative action to set the amount of supplemental benefits, if any. The provision could not be effective after the State takes such affirmative action.

Thus, recipients on the rolls in June 1972, would not face an unintended reduction in benefits resulting from congressional action, yet States would continue to be free to set whatever levels of supplementation are desired—just as they are free to set present levels, including the levels which will be in effect in June 1972.

Mr. Chairman, this is merely to provide a safeguard against a reduction in benefit levels, because of the failure of a legislature to be in session or the failure of the Governor to have taken action to complete the job that has to be done by the State in connection with a new program.

Mr. Chairman, it was unanimously reported by the committee.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Arkansas to the committee amendment in the nature of a substitute.

The amendment to the committee amendment in the nature of a substitute was agreed to.

MOTION OFFERED BY MR. ULLMAN

Mr. ULLMAN. Mr. Chairman, I offer a motion.

The Clerk read as follows:

Mr. ULLMAN moves to strike out all of title IV of the committee amendment in the nature of a substitute beginning on page 559, line 1, down to and including page 633, line 3.

(Mr. ULLMAN asked and was given permission to revise and extend his remarks.)

Mr. ULLMAN. Mr. Chairman, I offer this amendment on behalf of the gentleman from Texas (Mr. BURLESON) and myself.

The gentleman from Texas (Mr. BURLESON) offered it in the committee. I think it is most unfortunate that we are bringing a bill of this magnitude to the floor where only this kind of an amendment is in order.

I offered it in the committee as a substitute and went before the Rules Committee and tried to get a rule to make the substitute in order.

However, Mr. Chairman, it has been very interesting to see the opposition from over here as well as the opposition all across the floor. It has been a nonpartisan thing. I think that on each side of the aisle we are split pretty well right down the middle. It is just a tragedy, in my opinion, somehow the House must change its procedures so that the people in this House do have an opportunity to express themselves in the form of alternatives on this kind of measure, a measure of national importance.

But, I would like to make about three points. First, do not buy the argument that if you vote to strike title IV you are voting in support of the existing welfare system. That simply is not true. There are viable alternatives; there are many alternatives that do not take us down the road of income supplement or guaranteed income or whatever you want to call it, but do take us in the direction of real welfare reform where we can, in fact, turn the program around. So, do not buy that argument.

Further, do not buy the argument that the committee will not respond if you vote down title IV.

The gentleman from Arkansas is a very responsible man and the Committee on Ways and Means is a very responsible committee and, indeed, we will come up with sound legislation that will give you a real alternative to welfare reform if you vote down title IV.

Now, it is most unfortunate that we have spent all day debating title IV when, in fact, this legislation is monumental in title after title after title. I wish we could have read each of these titles before you.

In the future we should try to bring them in in the form of separate bills rather than in this kind of all-encompassing legislation.

I just want to make one other point with regard to the supplement income or the guaranteed income formula that you do have in this bill. In my judgment, it is unsound; it is unworkable. The Federal Government under this title is going to send out some 4 million checks every month to 4 million individual family recipients.

They are going to try to stay on top of those checks with three variables included. One is the variable of assets, which could easily disqualify a family. Second, is the variable of family size. And third, is the variable of fluctuating income. In my judgment, it is totally impossible for the Government to stay on top of this problem, and to mail out checks on this complicated formula.

What we are doing here is expecting 4 million individuals to report on something that they cannot possibly understand, and we are holding them criminally liable for statements they make that they cannot possibly understand.

The final point I want to make is that this is not guaranteed income alone, this is guaranteed income superimposed upon your present State welfare structure. I tried to point out today in debate that under the hold-harmless clause you are, in fact, going to divide the States into two camps. About half of the States are going to fall back to the Federal level, because above the Federal level they are going to have to foot the bill for every dollar of supplemental welfare. The other half of the States are going to be covered by the hold-harmless clause, which means that the Federal Government will pay all the costs above the 1971 level.

I urge you to vote down title IV.

Mr. BYRNES of Wisconsin. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I think if one thing is clear from this debate it is that our present system of aid to families with dependent children program has failed the country—has failed the taxpayers—and has failed poor families and their children.

Title IV, which the gentleman from Oregon (Mr. ULLMAN) would strike by his amendment, represents the results

of more than a year of concentrated effort by 25 Members of this House, and it is the overwhelming judgment of those 25 Members that title IV of this bill is the best approach for dealing realistically with the problems we face.

I am not going into the various arguments at this time in support of title IV as against the present system. They have all been thoroughly argued and pointed out during this debate. Those here in just the last few minutes heard the gentlewoman from Michigan (Mrs. GRIFFITHS) point out the irrationality of the existing system, and they also heard the gentleman from California (Mr. BURTON) make his excellent remarks. I think we have clearly pointed out during this debate the failures of the present system and the means whereby the new proposal would deal with those failures.

The great majority of the Ways and Means Committee are convinced that title IV would move from a maintenance-centered program of welfare handouts to a program centered on creating opportunity for self-help; that title IV would substitute a work-oriented program for a program that discourages work; that title IV would substitute a program to keep families together for one to encourage families to break up and disintegrate. But we have gone all through this yesterday and today.

Yet we must face this question: If this House turns down title IV—where do we go from there? There is no alternative that has any substantial support. The committee considered every proposal that any Member or anyone else could produce as an alternative to the present system, and all were found to be lacking in the overwhelming judgment of the members of the committee. None provided an answer to the welfare crisis that we face.

I think anyone who has sat through this debate can recognize the impossible burden that you put on the Committee on Ways and Means and on this House when you ask for an alternative that will satisfy the extremes that presented themselves today in opposition to title IV. Unfortunately, despite the debate that we have had, I think there is polarization of two extremes that make it impossible for any constructive alternative to be developed that would meet the demands of this House. One extreme says the measure has been "tainted," because it does too much, because it costs too much, because it adds too many people to the welfare rolls. The other extreme says it "taint" enough.

In view of this, how can the committee be realistically expected to come up with any alternative other than what we have today? If those two extremes in their joint vote today are successful—if they prevail—you pose an impossible situation for the Committee on Ways and Means and for this House.

Now, the chairman of the Committee on Ways and Means has suggested that he sees no way that this matter could come up this year and I can say to you, we have important legislation waiting to be acted upon. We simply do not have a program that will permit us to begin all over again a top to bottom reform of welfare on a different basis, even if the impossible task of finding another—and in my view less satisfactory—approach could be achieved. We have been working on the problem for 2 years, during which nearly 3 million individuals have been added to the rolls. Time is of the essence; we cannot afford another 2 years until reform is written into the statute books.

Let me say as frankly and sincerely as I can that a vote to strike title IV is a vote to indefinitely postpone welfare reform. It is in effect—whether you like it or not—a vote to continue the present system with all its inequities and irrationalities. A vote for the Ullman amendment is a vote to continue the present welfare mess.

I implore you—do not follow this course.

The CHAIRMAN. Under the rule, the question is on the motion offered by the gentleman from Oregon (Mr. ULLMAN).

TELLER VOTE WITH CLERKS

Mr. BURLESON of Texas. Mr. Chairman, I demand tellers.

Tellers were ordered.

Mr. BURLESON of Texas. Mr. Chairman, I demand tellers with clerks.

Tellers with clerks were ordered; and the Chairman appointed as tellers Messrs. BETTS, ULLMAN, CONABLE, and WAGGONNER.

The Committee divided, and the tellers reported that there were—ayes 187, noes 234, not voting 13, as follows:

[Roll No. 156]

[Recorded Teller Vote]

AYES—187

Abbitt	Devine	Landgrebe
Abernethy	Dickinson	Latta
Abourezk	Diggs	Lennon
Abzug	Dowdy	Lent
Addabbo	Downing	Long, Md.
Andrews, Ala.	Duncan	Lujan
Archer	Edwards, Ala.	McClure
Badillo	Edwards, Calif.	McCollister
Baker	Eilberg	McEwen
Baring	Eshleman	McKevitt
Barrett	Fisher	McMillan
Belcher	Flowers	Mahon
Bennett	Flynt	Mann
Bevill	Fountain	Martin
Biaggi	Fraser	Mathias, Calif.
Blackburn	Frey	Mathis, Ga.
Blanton	Fulton, Pa.	Mazzoli
Brinkley	Fuqua	Mikva
Brooks	Garmatz	Miller, Ohio
Broyhill, N.C.	Gettys	Mills, Md.
Broyhill, Va.	Goldwater	Minshall
Buchanan	Goodling	Mitchell
Burke, Fla.	Green, Oreg.	Mizell
Burleson, Tex.	Griffin	Montgomery
Byrne, Pa.	Gross	Myers
Byron	Grover	Natcher
Cabell	Hagan	Nelsen
Caffery	Haley	Nichols
Camp	Hall	Nix
Casey, Tex.	Hammer-schmidt	O'Konski
Chappell	Harsha	Passman
Chisholm	Hastings	Pickle
Clancy	Hawkins	Pike
Clark	Hays	Poage
Clausen, Don H.	Hébert	Powell
Clawson, Del	Helstoski	Price, Tex.
Clay	Henderson	Quillen
Cleveland	Hogan	Randall
Collins, Ill.	Hull	Rangel
Collins, Tex.	Hungate	Rarick
Colmer	Hunt	Roberts
Conyers	Hutchinson	Robinson, Va.
Crane	Jacobs	Roe
Culver	Jarman	Rogers
Daniel, Va.	Johnson, Pa.	Rousselot
Davis, S.C.	Jonas	Ruth
de la Garza	Jones, Ala.	Ryan
Delaney	Jones, N.C.	Sarbanes
Dellums	Jones, Tenn.	Satterfield
Denholm	Kazen	Saylor
Dennis	Kemp	Scherle
Derwinski	Kyl	Schmitz
Sebelius	Stratton	Whalley
Shipley	Stubblefield	White
Shoup	Stuckey	Whitehurst
Shriver	Sullivan	Whitten
Sikes	Teague, Tex.	Williams
Smith, Calif.	Terry	Winn
Snyder	Thompson, Ga.	Wyman
Spence	Ullman	Young, Fla.
Steiger, Ariz.	Waggonner	Young, Tex.
Stokes	Wampler	Zion

NOES—234

Adams	Gibbons	Perkins
Albert	Gonzalez	Pettis
Alexander	Grasso	Peyser
Anderson, Calif.	Gray	Pirnie
	Green, Pa.	Podell
Anderson, Ill.	Griffiths	Poff
Anderson, Tenn.	Gubser	Preyer, N.C.
	Gude	Price, Ill.
Andrews, N. Dak.	Halpern	Pryor, Ark.
	Hamilton	Pucinski
Annunzio	Hanley	Quie
Arends	Hanna	Railsback
Ashley	Hansen, Idaho	Rees
Aspin	Hansen, Wash.	Reid, Ill.
Aspinall	Harrington	Reid, N.Y.
Begich	Harvey	Reuss
Bell	Hathaway	Rhodes
Bergland	Hechler, W. Va.	Riegle
Betts	Heckler, Mass.	Robison, N.Y.
Biester	Hicks, Mass.	Rodino
Bingham	Hicks, Wash.	Roncalio
Boggs	Hillis	Rooney, N.Y.
Boland	Holifield	Rooney, Pa.
Bolling	Horton	Rosenthal
Bow	Hosmer	Rostenkowski
Brademas	Howard	Roush
Brasco	Ichord	Roy
Broomfield	Johnson, Calif.	Roybal
Brotzman	Karth	Ruppe
Brown, Mich.	Kastenmeier	St Germain
Brown, Ohio	Keating	Sandman
Burke, Mass.	Kee	Scheuer
Burlison, Mo.	Keith	Schneebeli
Burton	King	Schwengel
Byrnes, Wis.	Kluczynski	Seiberling
Carey, N.Y.	Koch	Sisk
Carney	Kuykendall	Skubitz
Carter	Kyros	Slack
Cederberg	Landrum	Smith, Iowa
Celler	Leggett	Smith, N.Y.
Chamberlain	Link	Springer
Collier	Lloyd	Stafford
Conable	McClory	Stanton, J. William
Conte	McCloskey	
Corman	McCormack	Stanton, James V.
Cotter	McDade	
Coughlin	McDonald, Mich.	Steed
Daniels, N.J.		Steele
Danielson	McFall	Steiger, Wis.
Davis, Ga.	McKay	Stephens
Davis, Wis.	McKinney	Symington
Dellenback	Macdonald, Mass.	Talcott
Dingell		Teague, Calif.
Dorn	Madden	Thompson, N.J.
Dow	Mailliard	Thomson, Wis.
Drinan	Matsunaga	Thone
Dulski	Mayne	Tiernan
du Pont	Meeds	Udall
Dwyer	Melcher	Van Deerlin
Eckhardt	Metcalfe	Vander Jagt
Edmondson	Michel	Vanik
Erlenborn	Miller, Calif.	Veysey
Esch	Mills, Ark.	Vigorito
Evans, Colo.	Minish	Waldie
Evins, Tenn.	Mink	Ware
Fascell	Mollohan	Watts
Findley	Monagan	Whalen
Fish	Moorhead	Widnall
Flood	Morgan	Wiggins
Foley	Morse	Wilson, Bob
Ford, Gerald R.	Mosher	Wilson, Charles H.
Ford, William D.	Murphy, Ill.	
	Murphy, N.Y.	Wolff
Forsythe	Nedzi	Wright
Frelinghuysen	Obey	Wyatt
Frenzel	O'Hara	Wydler
Fulton, Tenn.	O'Neill	Wylie
Galifianakis	Patman	Yates
Gallagher	Patten	Yatron
Gaydos	Pelly	Zablocki
Gialmo	Pepper	Zwach

NOT VOTING—13

Ashbrook	Edwards, La.	Runnels
Blatnik	Long, La.	Staggers
Bray	McCulloch	Taylor
Dent	Moss	
Donohue	Purcell	

So the motion was rejected.

The CHAIRMAN. The question now occurs on the committee amendment in

the nature of a substitute, as amended.

The committee amendment in the nature of a substitute, as amended, was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. DINGELL, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 1) to amend the Social Security Act to provide increases in benefits, improve computation methods, and raise the earnings base under the OASDI program, to make improvements in the medicare, medicaid, and maternal and child health programs with emphasis on improvements in their operating effectiveness, to authorize a family assistance plan providing basic benefits to low-income families with children with incentives for employment and training to improve the capacity for employment of members of such families to achieve more uniform treatment of recipients under the Federal-State public assistance programs and otherwise improve such programs, and for other purposes, pursuant to House Resolution 487, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. SCHMITZ

Mr. SCHMITZ. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. SCHMITZ. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. SCHMITZ moves to recommit the bill H.R. 1 to the Committee on Ways and Means.

Mr. MILLS of Arkansas. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

Mr. SCHMITZ. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were refused.

The SPEAKER. The question is on the motion to recommit.

The question was taken and on a division (demanded by Mr. CONYERS) there were—ayes 158, noes 221.

So the motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

Mr. MILLS of Arkansas. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 288, nays 132, not voting 13, as follows:

[Roll No. 157]

YEAS—288

Abourezk	Gaydos	O'Neill
Adams	Giaimo	Patman
Addabbo	Gibbons	Patten
Alexander	Gonzalez	Pelly
Anderson, Calif.	Grasso	Pepper
	Gray	Perkins
Anderson, Ill.	Green, Oreg.	Pettis
Anderson, Tenn.	Green, Pa.	Peyser
	Griffiths	Pike
Andrews, N. Dak.	Gubser	Pirnie
	Gude	Podell
Annunzio	Halpern	Poff
Arends	Hamilton	Preyer, N.C.
Ashley	Hammer-schmidt	Price, Ill.
		Pryor, Ark.
Aspin	Hanley	Pucinski
Aspinall	Hanna	Quie
Barrett	Hansen, Idaho	Railsback
Begich	Hansen, Wash.	Randall
Bell	Harrington	Rees
Bergland	Harvey	Reid, Ill.
Betts	Hastings	Reid, N.Y.
Bevill	Hathaway	Reuss
Biaggi	Hays	Rhodes
Biester	Hechler, W. Va.	Riegle
Bingham	Heckler, Mass.	Robison, N.Y.
Blanton	Helstoski	Rodino
Boggs	Hicks, Mass.	Roe
Boland	Hicks, Wash.	Roncalio
Bolling	Hillis	Rooney, N.Y.
Bow	Hogan	Rooney, Pa.
Brademas	Holifield	Rosenthal
Brasco	Horton	Rostenkowski
Brooks	Hosmer	Roush
Broomfield	Howard	Roy
Brotzman	Ichord	Roybal
Brown, Mich.	Jacobs	Ruppe
Brown, Ohio	Johnson, Calif.	Ryan
Broyhill, Va.	Johnson, Pa.	St Germain
Burke, Mass.	Jones, Ala.	Sandman
Burlison, Mo.	Karth	Scheuer
Burton	Kastenmeier	Schneebeli
Byrne, Pa.	Kazen	Schwengel
Byrnes, Wis.	Keating	Seiberling
Carey, N.Y.	Kee	Shipley
Carney	Keith	Shoup
Carter	King	Shriver
Cederberg	Kluczynski	Sisk
Celler	Koch	Skubitz
Chamberlain	Kuykendall	Slack
Clark	Kyros	Smith, Iowa
Clausen, Don H.	Landrum	Smith, N.Y.
	Latta	Springer
Collier	Leggett	Stafford
Collins, Ill.	Link	Stanton, J. William
Conable	Lloyd	
Conte	McClory	Stanton, James V.
Corman	McCloskey	
Cotter	McCormack	Steed
Coughlin	McDade	Steele
Culver	McDonald, Mich.	Steiger, Wis.
Daniels, N.J.		Stephens
Danielson	McFall	Stratton
Davis, Ga.	McKay	Stubblefield
Davis, Wis.	McKinney	Symington
de la Garza	Macdonald, Mass.	Talcott
Dellenback		Teague, Calif.
Dingell	Madden	Thompson, N.J.
Dorn	Mailliard	Thomson, Wis.
Dow	Mathias, Calif.	Thone
Dowdy	Matsunaga	Tiernan
Drinan	Mayne	Udall
Dulski	Mazzoli	Van Deerlin
du Pont	Meeds	Vander Jagt
Dwyer	Melcher	Vanik
Eckhardt	Metcalfe	Veysey
Edmondson	Michel	Vigorito
Edwards, Calif.	Mikva	Waldie
Eilberg	Miller, Calif.	Wampler
Erlenborn	Miller, Ohio	Ware
Esch	Mills, Ark.	Watts
Evans, Colo.	Mills, Md.	Whalen
Evins, Tenn.	Minish	White
Fascell	Mink	Widnall
Findley	Mollohan	Wiggins
Fish	Monagan	Wilson, Bob
Flood	Moorhead	Wilson, Charles H.
Flowers	Morgan	
Foley	Morse	Winn
Ford, Gerald R.	Mosher	Wolff
Ford, William D.	Murphy, Ill.	Wright
	Murphy, N.Y.	Wyatt
Forsythe	Myers	Wydler
Fraser	Natcher	Wylie
Frelinghuysen	Nedzi	Yates
Frenzel	Nelsen	Yatron
Fulton, Pa.	Nix	Zablocki
Fulton, Tenn.	Obey	Zion
Gallifianakis	O'Hara	Zwach
Gallagher	O'Konski	
Garmatz		

NAYS—132

Abbitt	Eshleman	Mitchell
Abernethy	Fisher	Mizell
Abzug	Flynt	Montgomery
Andrews, Ala.	Fountain	Nichols
Archer	Frey	Passman
Badillo	Fuqua	Pickle
Baker	Gettys	Poage
Baring	Goldwater	Powell
Belcher	Goodling	Price, Tex.
Bennett	Griffin	Quillen
Blackburn	Gross	Rangel
Brinkley	Grover	Rarick
Broyhill, N.C.	Hagan	Roberts
Buchanan	Haley	Robinson, Va.
Burke, Fla.	Hall	Rogers
Burleson, Tex.	Harsha	Rousselot
Byron	Hawkins	Ruth
Cabell	Hébert	Sarbanes
Caffery	Henderson	Satterfield
Camp	Hull	Saylor
Casey, Tex.	Hungate	Scherle
Chappell	Hunt	Schmitz
Chisholm	Hutchinson	Scott
Clancy	Jarman	Sebelius
Clawson, Del	Jonas	Sikes
Clay	Jones, N.C.	Smith, Calif.
Cleveland	Jones, Tenn.	Snyder
Collins, Tex.	Kemp	Spence
Colmer	Kyl	Steiger, Ariz.
Conyers	Landgrebe	Stokes
Crane	Lennon	Stuckey
Daniel, Va.	Lent	Sullivan
Davis, S.C.	Long, Md.	Teague, Tex.
Delaney	Lujan	Terry
Dellums	McClure	Thompson, Ga.
Denholm	McCollister	Ullman
Dennis	McEwen	Waggonner
Derwinski	McKevitt	Whalley
Devine	McMillan	Whitehurst
Dickinson	Mahon	Whitten
Diggs	Mann	Williams
Downing	Martin	Wyman
Duncan	Mathis, Ga.	Young, Fla.
Edwards, Ala.	Minshall	Young, Tex.

NOT VOTING—13

Ashbrook	Edwards, La.	Runnels
Blatnik	Long, La.	Staggers
Bray	McCulloch	Taylor
Dent	Moss	
Donohue	Purcell	

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Moss for, with Mr. Taylor against.

Mr. Donohue for, with Mr. Long of Louisiana against.

Until further notice:

Mr. Blatnik with Mr. Ashbrook.

Mr. Staggers with Mr. Bray.

Mr. Dent with Mr. Edwards of Louisiana.

Mr. Purcell with Mr. Runnels.

The result of the vote was announced as above recorded.

The title was amended so as to read: "A bill to amend the Social Security Act to increase benefits and improve eligibility and computation methods under the OASDI program, to make improvements in the medicare, medicaid, and maternal and child health programs with emphasis on improvements in their operating effectiveness, to replace the existing Federal-State public assistance programs with a Federal program of adult assistance and a Federal program of benefits to low-income families with children with incentives and requirements for employment and traning to improve the capacity for employment of members of such families, and for other purposes."

A motion to reconsider was laid on the table.

House Resolution 479 was laid on the table.

GENERAL LEAVE

Mr. MILLS of Arkansas. Mr. Speaker, I ask unanimous consent that all Mem-

bers may have 5 legislative days during which to extend their remarks on the bill, H.R. 1, and to include extraneous material.

The SPEAKER Is there objection to the request of the gentleman from Arkansas?

There was no objection.

PERSONAL EXPLANATION BY MR. STRATTON

Mr. STRATTON. Mr. Speaker, on yesterday afternoon, at the time that rollcall No. 152, the vote on the previous question on the rule governing the bill H.R. 1, the welfare bill, was taken, I was across the city on necessary business. I proceeded as quickly as possible to return to the Chamber, but entered the Chamber as the Chair was announcing the result of the vote.

Mr. Speaker, the RECORD lists me as having been paired in favor of the previous question. This is an error, Mr. Speaker. If I had arrived in the Chamber in time to cast my vote I would have voted "nay."

92D CONGRESS
1ST SESSION

H. R. 1

IN THE SENATE OF THE UNITED STATES

JUNE 28, 1971

Read twice and referred to the Committee on Finance

AN ACT

To amend the Social Security Act to increase benefits and improve eligibility and computation methods under the OASDI program, to make improvements in the medicare, medicaid, and maternal and child health programs with emphasis on improvements in their operating effectiveness, to replace the existing Federal-State public assistance programs with a Federal program of adult assistance and a Federal program of benefits to low-income families with children with incentives and requirements for employment and training to improve the capacity for employment of members of such families, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following table of contents, may be cited as the "Social Security Amendments of 1971".

TABLE OF CONTENTS

TITLE I—PROVISIONS RELATING TO OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Sec. 101. Increase in old-age, survivors, and disability insurance benefits, and in benefits for certain individuals age 72 or over.
Sec. 102. Automatic adjustments in benefits, the contribution and benefit base, and the earnings test.
(a) Adjustments in benefits.
(b) Adjustments in contribution and benefit base.
(c) Adjustments in earnings test.
Sec. 103. Special minimum primary insurance amount.
Sec. 104. Increased widow's and widower's insurance benefits.
Sec. 105. Increase of earnings counted for benefit and tax purposes.
Sec. 106. Delayed retirement credit.
Sec. 107. Age-62 computation point for men.
Sec. 108. Additional drop-out years.
Sec. 109. Election to receive actuarially reduced benefits in one category not to be applicable to certain benefits in other categories.
Sec. 110. Computation of benefits based on combined earnings of husband and wife.
Sec. 111. Liberalization of earnings test.
Sec. 112. Exclusion of certain earnings in year of attaining age 72.
Sec. 113. Reduced benefits for widowers at age 60.
Sec. 114. Entitlement to child's insurance benefits based on disability which began between age 18 and 22.
Sec. 115. Continuation of child's benefits through end of semester.
Sec. 116. Child's benefits in case of child entitled on more than one wage record.
Sec. 117. Adoptions by disability and old-age insurance beneficiaries.
Sec. 118. Child's insurance benefits not to be terminated by reason of adoption.
Sec. 119. Benefits for child based on earnings record of grandparent.
Sec. 120. Elimination of support requirement as condition of benefits for divorced and surviving divorced wives.
Sec. 121. Waiver of duration of relationship requirement for widow, widower, or stepchild in case of remarriage to the same individual.
Sec. 122. Reduction from 6 to 5 months of waiting period for disability benefits.
Sec. 123. Elimination of disability insured-status requirement of substantial recent covered work in case of individuals who are blind.
Sec. 124. Applications for disability insurance benefits filed after death of insured individual.
Sec. 125. Workmen's compensation offset for disability insurance beneficiaries.
Sec. 126. Wage credits for members of the uniformed services.
Sec. 127. Optional determination of self-employment earnings.
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TITLE I—PROVISIONS RELATING TO OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS, AND IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 OR OVER

SEC. 101. (a) Section 215(a) of the Social Security Act (as amended by section 105(c) of this Act) is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I		II	III		IV	V
(Primary insurance benefit under 1939 Act, as modified)		(Primary insurance amount effective for January 1971)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
----------	$16.20	$70.40	----------	$76	$74.00	$111.00
$16.21	16.84	71.50	$77	78	75.10	112.70
16.85	17.60	73.10	79	80	76.80	115.20
17.61	18.40	74.50	81	81	78.30	117.50
18.41	19.24	75.80	82	83	79.60	119.40
19.25	20.00	77.40	84	85	81.30	122.00
20.01	20.64	78.80	86	87	82.80	124.20
20.65	21.28	80.10	88	89	84.20	126.30
21.29	21.88	81.70	90	90	85.80	128.80
21.89	22.28	83.10	91	92	87.30	131.00
22.29	22.68	84.50	93	94	88.80	133.20
22.69	23.08	85.80	95	96	90.10	135.20
23.09	23.44	87.40	97	97	91.80	137.70
23.45	23.76	88.90	98	99	93.40	140.10
23.77	24.20	90.60	100	101	95.20	142.80
24.21	24.60	91.90	102	102	96.50	144.80
24.61	25.00	93.40	103	104	98.10	147.20
25.01	25.48	95.10	105	106	99.90	149.90
25.49	25.92	96.60	107	107	101.50	152.30
25.93	26.40	98.20	108	109	103.20	154.80
26.41	26.94	99.70	110	113	104.70	157.10
26.95	27.46	101.10	114	118	106.20	159.30
27.47	28.00	102.70	119	122	107.90	161.90
28.01	28.68	104.20	123	127	109.50	164.30
28.69	29.25	105.90	128	132	111.20	166.90
29.26	29.68	107.30	133	136	112.70	169.10
29.69	30.36	108.70	137	141	114.20	171.30
30.37	30.92	110.40	142	146	116.00	174.00
30.93	31.36	111.90	147	150	117.50	176.30
31.37	32.00	113.30	151	155	119.00	178.50
32.01	32.60	115.00	156	160	120.80	181.20
32.61	33.20	116.40	161	164	122.30	183.50
33.21	33.88	118.00	165	169	123.90	185.90
33.89	34.50	119.50	170	174	125.50	188.30
34.51	35.00	121.00	175	178	127.10	190.70
35.01	35.80	122.60	179	183	128.80	193.20
35.81	36.40	124.00	184	188	130.20	195.30
36.41	37.08	125.70	189	193	132.00	198.10

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount effective for January 1971)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
$37.09	$37.60	$127.20	$194	$197	$133.60	$200.40
37.61	38.20	128.60	198	202	135.10	202.70
38.21	39.12	130.30	203	207	136.90	205.40
39.13	39.68	131.80	208	211	138.40	207.60
39.69	40.33	133.10	212	216	139.80	209.70
40.34	41.12	134.80	217	221	141.60	212.40
41.13	41.76	136.30	222	225	143.20	214.80
41.77	42.44	137.90	226	230	144.80	217.30
42.45	43.20	139.40	231	235	146.40	219.60
43.21	43.76	141.10	236	239	148.20	222.30
43.77	44.44	142.50	240	244	149.70	225.60
44.45	44.88	143.90	245	249	151.10	230.20
44.89	45.60	145.60	250	253	152.90	233.90
		147.10	254	258	154.50	238.50
		148.40	259	263	155.90	243.10
		150.10	264	267	157.70	246.80
		151.60	268	272	159.20	251.40
		153.20	273	277	160.90	256.00
		154.70	278	281	162.50	259.70
		156.20	282	286	164.10	264.30
		157.90	287	291	165.80	269.00
		159.20	292	295	167.20	272.60
		160.90	296	300	169.00	277.20
		162.40	301	305	170.60	281.90
		163.80	306	309	172.00	285.60
		165.50	310	314	173.80	290.30
		166.90	315	319	175.30	294.90
		168.30	320	323	176.80	298.60
		170.00	324	328	178.50	303.20
		171.50	329	333	180.10	307.80
		173.20	334	337	181.90	311.50
		174.50	338	342	183.30	316.10
		176.00	343	347	184.80	320.70
		177.70	348	351	186.60	324.40
		179.10	352	356	188.10	329.00
		180.80	357	361	189.90	333.60
		182.20	362	365	191.40	337.30
		183.60	366	370	192.80	341.90
		185.30	371	375	194.60	346.50
		186.80	376	379	196.20	350.30
		188.50	380	384	198.00	354.90
		189.80	385	389	199.30	359.60
		191.30	390	393	200.90	363.20
		193.00	394	398	202.70	367.90
		194.40	399	403	204.20	372.50
		196.10	404	407	206.00	376.20
		197.40	408	412	207.30	380.80
		198.80	413	417	208.80	385.40
		200.20	418	421	210.30	389.10
		201.80	422	426	211.90	393.70
		203.10	427	431	213.30	398.30
		204.50	432	436	214.80	402.90
		206.10	437	440	216.50	404.80
		207.40	441	445	217.80	407.10
		208.80	446	450	219.30	409.40
		210.40	451	454	221.00	411.20
		211.70	455	459	222.30	413.50
		213.10	460	464	223.80	415.80
		214.50	465	468	225.30	417.70
		216.10	469	473	227.00	420.00
		217.40	474	478	228.30	422.40
		218.80	479	482	229.80	424.20
		220.40	483	487	231.50	426.60
		221.70	488	492	232.80	428.90
		223.10	493	496	234.30	430.70
		224.70	497	501	236.00	433.00
		226.00	502	506	237.30	435.30
		227.40	507	510	238.80	437.20
		228.80	511	515	240.30	439.50
		230.30	516	520	241.90	441.80
		231.70	521	524	243.30	443.60
		233.10	525	529	244.80	445.90
		234.70	530	534	246.50	448.20
		236.00	535	538	247.80	450.10
		237.40	539	543	249.30	452.40
		239.00	544	548	251.00	454.70
		240.30	549	553	252.40	457.00

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I (Primary insurance benefit under 1939 Act, as modified)		II (Primary insurance amount effective for January 1971)	III (Average monthly wage)		IV (Primary insurance amount)	V (Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$241.70	$554	$556	$253.80	$458.40
		242.90	557	560	255.10	460.30
		244.20	561	563	256.50	461.60
		245.50	564	567	257.80	463.50
		246.80	568	570	259.20	464.90
		248.00	571	574	260.40	466.70
		249.80	575	577	261.80	468.10
		250.50	578	581	263.10	469.90
		251.80	582	584	264.40	471.30
		253.00	585	588	265.70	473.20
		254.40	589	591	267.20	474.50
		255.60	592	595	268.40	476.40
		256.90	596	598	269.80	477.80
		258.10	599	602	271.10	479.70
		259.40	603	605	272.40	481.10
		260.60	606	609	273.70	482.80
		262.00	610	612	275.10	484.30
		263.20	613	616	276.40	486.10
		264.50	617	620	277.80	488.00
		265.70	621	623	279.00	489.30
		267.00	624	627	280.40	491.20
		268.20	628	630	281.70	492.90
		269.50	631	634	283.00	495.30
		270.80	635	637	284.40	497.60
		272.10	638	641	285.80	500.10
		273.30	642	644	287.00	502.30
		274.60	645	648	288.40	504.70
		275.80	649	652	289.60	506.90
		276.60	653	656	290.50	508.40
		277.40	657	660	291.30	509.80
		278.40	661	665	292.40	511.60
		279.40	666	670	293.40	513.50
		280.40	671	675	294.50	515.30
		281.40	676	680	295.50	517.20
		282.40	681	685	296.60	519.00
		283.40	686	690	297.60	520.80
		284.40	691	695	298.70	522.60
		285.40	696	700	299.70	524.50
		286.40	701	705	300.80	526.30
		287.40	706	710	301.80	528.20
		288.40	711	715	302.90	530.00
		289.40	716	720	303.90	531.90
		290.40	721	725	305.00	533.70
		291.40	726	730	306.00	535.50
		292.40	731	735	307.10	537.30
		293.40	736	740	308.10	539.20
		294.40	741	745	309.20	541.00
		295.40	746	750	310.20	542.90
		296.40	751	755	311.30	544.70
		297.40	756	760	312.30	546.60
		298.40	761	765	313.40	548.40
		299.40	766	770	314.40	550.20
		300.40	771	775	315.50	552.00
		301.40	776	780	316.50	553.90
		302.40	781	785	317 60	555.70
		303.40	786	790	318.60	557.60
		304.40	791	795	319.70	559.40
		305.40	796	800	320.70	561.30
		306.40	801	805	321.80	563.10
		307.40	806	810	322.80	564.90
		308.40	811	815	323.90	566.70
		309.40	816	820	324.90	568.60
		310.40	821	825	326.00	570.40
		311.40	826	830	327.00	572.30
		312.40	831	835	328.10	574.10
		313.40	836	840	329.10	576.00
		314.40	841	845	330.20	577.80
		315.40	846	850	331.20	579.60".

(b) Section 203 (a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202 (j) (1) and section 223 (b)) to monthly benefits under section 202 or 223 for May 1972 on the basis of the wages and self-employment income of such insured individual and the provisions of this subsection were applicable in January 1971 or any prior month in determining the total of the benefits for persons entitled for any such month on the basis of such wages and self-employment income, such total of benefits for June 1972 or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) an amount derived by multiplying the sum of the benefit amounts determined under this title for May 1972 (including this subsection, but without the application of section 222 (b), section 202 (q), and subsections (b), (c), and (d) of this section), by 105 percent and raising such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202 (k) (2) (A) was applicable in the case of any such benefits for June 1972, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202 (k) (2) (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for June 1972, or".

(c) Section 215 (a) of such Act is amended by striking out the matter which precedes the table and inserting in lieu thereof the following:

"(a) The primary insurance amount of an insured individual shall be determined as follows:

"(1) Subject to the conditions specified in subsections (b), (c), and (d) of this section and except as provided in paragraph (2) of this subsection, such primary insurance amount shall be whichever of the following amounts is the largest:

"(A) the amount in column IV of the following table on the line on which in column III of such table appears his average monthly wage (as determined under subsection (b));

"(B) the amount in column IV of such table

on the line on which in column II appears his primary insurance amount (as determined under subsection (c)); or

"(C) the amount in column IV of such table on the line on which in column I appears his primary insurance benefit (as determined under subsection (d)).

"(2) In the case of an individual who was entitled to a disability insurance benefit for the month before the month in which he died, became entitled to old-age insurance benefits, or attained age 65, such primary insurance amount shall be the amount in column IV of such table which is equal to the primary insurance amount upon which such disability insurance benefit is based; except that if such individual was entitled to a disability insurance benefit under section 223 for the month before the effective month of a new table and in the following month became entitled to an old-age insurance benefit, or he died in such following month, then his primary insurance amount for such following month shall be the amount in column IV of the new table on the line on which in column II of such table appears his primary insurance amount for the month before the effective month of the table (as determined under subsection (c)) instead of the amount in column

IV equal to the primary insurance amount on which his disability insurance benefit is based. For purposes of this paragraph, the term 'primary insurance amount' with respect to any individual means only a primary insurance amount determined under paragraph (1) (and such individual's benefits shall be deemed to be based upon the primary insurance amount as so determined)."

(d) Section 215(b)(4) of such Act is amended by striking out "December 1970" each time it appears and inserting in lieu thereof "May 1972".

(e) Section 215(c) of such Act is amended to read as follows:

"Primary Insurance Amount Under Act of March 17, 1971

"(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to June 1972.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before June 1972, or who died before such month."

(f) Section 215(f)(2) of such Act is amended by striking out "(a)(1) and (3)" and inserting in lieu thereof "(a)(1)(A) and (C)".

(g)(1)(A) Section 227(a) of such Act is amended by

striking out "$48.30" and inserting in lieu thereof "$50.80", and by striking out "$24.20" and inserting in lieu thereof "$25.40".

(B) Section 227 (b) of such Act is amended by striking out "$48.30" and inserting in lieu thereof "$50.80".

(2) (A) Section 228 (b) (1) of such Act is amended by striking out "$48.30" and inserting in lieu thereof "$50.80".

(B) Section 228 (b) (2) of such Act is amended by striking out "$48.30" and inserting in lieu thereof "$50.80", and by striking out "$24.20" and inserting in lieu thereof "$25.40".

(C) Section 228 (c) (2) of such Act is amended by striking out "$24.20" and inserting in lieu thereof "$25.40".

(D) Section 228 (c) (3) (A) of such Act is amended by striking out "$48.30" and inserting in lieu thereof "$50.80".

(E) Section 228 (c) (3) (B) of such Act is amended by striking out "$24.20" and inserting in lieu thereof "$25.40".

(h) The amendments made by this section (other than the amendments made by subsection (g)) shall apply with respect to monthly benefits under title II of the Social Security Act for months after May 1972 and with respect to lump-sum death payments under such title in the case of deaths occurring after such month. The amendments made

by subsection (g) shall apply with respect to monthly benefits under title II of such Act for months after May 1972.

AUTOMATIC ADJUSTMENTS IN BENEFITS, THE CONTRIBUTION AND BENEFIT BASE, AND THE EARNINGS TEST

Adjustments in Benefits

SEC. 102. (a) (1) Section 215 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Cost-of-Living Increases in Benefits

"(i) (1) For purposes of this subsection—

"(A) the term 'base quarter' means (i) the calendar quarter ending on June 30 in each year after 1971, or (ii) any other calendar quarter in which occurs the effective month of a general benefit increase under this title;

"(B) the term 'cost-of-living computation quarter' means a base quarter, as defined in subparagraph (A) (i), in which the Consumer Price Index prepared by the Department of Labor exceeds, by not less than 3 per centum, such Index in the later of (i) the last prior cost-of-living computation quarter which was established under this subparagraph, or (ii) the most recent calendar quarter in which occurred the effective month of a general benefit increase under this title; except that there shall be no cost-of-living computation quarter in

any calendar year in which a law has been enacted providing a general benefit increase under this title or in which such a benefit increase becomes effective; and

"(C) the Consumer Price Index for a base quarter, a cost-of-living computation quarter, or any other calendar quarter shall be the arithmetical mean of such index for the 3 months in such quarter.

"(2) (A) (i) The Secretary shall determine each year (subject to the limitation in paragraph (1) (B) and to subparagraph (E) of this paragraph) whether the base quarter (as defined in paragraph (1) (A) (i)) in such year is a cost-of-living computation quarter.

"(ii) If the Secretary determines that such base quarter is a cost-of-living computation quarter, he shall, effective with the month of January of the next calendar year (subject to subparagraph (E)) as provided in subparagraph (B), increase the benefit amount of each individual who for such month is entitled to benefits under section 227 or 228, and the primary insurance amount of each other individual under this title (including a primary insurance amount determined under section 202 (a) (3), but not including a primary insurance amount determined under subsection (a) (3) of this section), by an amount derived by multiplying each such amount (including each such individual's primary insurance amount or benefit amount under section 227

or 228 as previously increased under this subparagraph) by the same percentage (rounded to the nearest one-tenth of 1 percent) as the percentage by which the Consumer Price Index for such cost-of-living computation quarter exceeds such index for the most recent prior calendar quarter which was a base quarter under paragraph (1) (A) (ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1) (B). Any such increased amount which is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

"(B) The increase provided by subparagraph (A) with respect to a particular cost-of-living computation quarter shall apply (subject to subparagraph (E)) in the case of monthly benefits under this title for months after December of the calendar year in which occurred such cost-of-living computation quarter, and in the case of lump-sum death payments with respect to deaths occurring after December of such calendar year.

"(C) (i) Whenever the level of the Consumer Price Index as published for any month exceeds by 2.5 percent or more the level of such index for the most recent base quarter (as defined in paragraph (1) (A) (ii)) or, if later, the most recent cost-of-living computation quarter, the Secretary shall (within 5 days after such publication) report the amount of

such excess to the House Committee on Ways and Means and the Senate Committee on Finance.

"(ii) Whenever the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall notify the House Committee on Ways and Means and the Senate Committee on Finance of such determination on or before August 15 of such calendar year, indicating the amount of the benefit increase to be provided, his estimate of the extent to which the cost of such increase would be met by an increase in the contribution and benefit base under section 230 and the estimated amount of the increase in such base, the actuarial estimates of the effect of such increase, and the actuarial assumptions and methodology used in preparing such estimates.

"(D) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall publish in the Federal Register on or before November 1 of such calendar year a determination that a benefit increase is resultantly required and the percentage thereof. He shall also publish in the Federal Register at that time (along with the increased benefit amounts which shall be deemed to be the amounts appearing in sections 227 and 228) a revision of the table of benefits contained in subsection (a) of this section (as it may have

been most recently revised by another law or pursuant to this paragraph); and such revised table shall be deemed to be the table appearing in such subsection (a). Such revision shall be determined as follows:

"(i) The headings of the table shall be the same as the headings in the table immediately prior to its revision, except that the parenthetical phrase at the beginning of column II shall reflect the year in which the primary insurance amounts set forth in column IV of the table immediately prior to its revision were effective.

"(ii) The amounts on each line of column I and column III, except as otherwise provided by clause (v) of this subparagraph, shall be the same as the amounts appearing in each such column in the table immediately prior to its revision.

"(iii) The amount on each line of column II shall be changed to the amount shown on the corresponding line of column IV of the table immediately prior to its revision.

"(iv) The amounts on each line of column IV and column V shall be increased from the amounts shown in the table immediately prior to its revision by increasing each such amount by the percentage specified in subparagraph (A) of paragraph (2). The amount on each line of column V shall be increased, if necessary, so that

such amount is at least equal to one and one-half times the amount shown on the corresponding line in column IV. Any such increased amount which is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

"(v) If the contribution and benefit base (determined under section 230) for the calendar year in which the table of benefits is revised is lower than such base for the following calendar year, columns III, IV, and V of such table shall be extended. The amounts on each additional line of column III shall be the amounts on the preceding line increased by $5 until in the last such line of column III the second figure is equal to one-twelfth of the new contribution and benefit base for the calendar year following the calender year in which such table of benefits is revised. The amount on each additional line of column IV shall be the amount on the preceding line increased by $1.00, until the amount on the last line of such column is equal to the last line of such column as determined under clause (iv) plus 20 percent of one-twelfth of the excess of the new contribution and benefit base for the calendar year following the calendar year in which such table of benefits is revised (as determined under section 230) over such base for the calendar year in which the table of benefits is revised.

The amount on each additional line of column V shall be equal to 1.75 times the amount on the same line of column IV. Any such increased amount which is not a multiple of $0.10 shall be increased to the next higher multiple of $0.10.

"(E) Notwithstanding a determination by the Secretary under subparagraph (A) that a base quarter in any calendar year is a cost-of-living computation quarter (and notwithstanding any notification or publication thereof under subparagraph (C) or (D)), no increase in benefits shall take effect pursuant thereto, and such quarter shall be deemed not to be a cost-of-living computation quarter, if during the calendar year in which such determination is made a law providing a general benefit increase under this title is enacted or becomes effective.

"(3) As used in this subsection, the term 'general benefit increase under this title' means an increase (other than an increase under this subsection) in all primary insurance amounts (including those determined under section 202(a)(3), but not including those determined under subsection (a)(3) of this section) on which monthly insurance benefits under this title are based."

(2)(A) Effective January 1, 1973, section 203(a) of such Act is amended by striking out "the table in section 215(a)" in the matter preceding paragraph (1) and insert-

ing in lieu thereof "the table in (or deemed to be in) section 215(a)".

(B) Effective January 1, 1973, section 203(a)(2) of such Act (as amended by section 101(b) of this Act) is further amended to read as follows:

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 of January 1971 or any prior month on the basis of the wages and self-employment income of such insured individual and the provisions of this subsection as in effect for any such month were applicable in determining the benefit amount of any persons on the basis of such wages and self-employment income, the total of benefits for any month after January 1971 shall not be reduced to less than the largest of—

"(A) the amount determined under this subsection without regard to this paragraph,

"(B) the largest amount which has been determined for any month under this subsection for persons entitled to monthly benefits on the basis of such insured individual's wages and self-employment income, or

"(C) if any persons are entitled to benefits on the basis of such wages and self-employment income

for the month before the effective month (after June 1972) of a general benefit increase under this title (as defined in section 215(i)(3)) or a benefit increase under the provisions of section 215(i), an amount equal to the sum of such benefits for the month before such effective month increased by a percentage equal to the percentage of the increase provided under such benefit increase (with any such increased amount which is not a multiple of $0.10 being rounded to the next higher multiple of $0.10); but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B) or (C), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for a month, and ceases to apply for a month after such month, the provisions of subparagraph (B) or (C) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for the last month for which subparagraph (B) or (C) was applicable, or".

(3)(A) Effective January 1, 1974, section 215(a) of such Act (as amended by section 101(c) of this Act) is further amended—

(i) by inserting "(or, if larger, the amount in col-

umn IV of the latest table deemed to be such table under subsection (i) (2) (D))" after "the following table" in paragraph (1) (A); and

(ii) by inserting "(whether enacted by another law or deemed to be such table under subsection (i) (2) (D))" after "effective month of a new table" in paragraph (2).

(B) Effective January 1, 1974, section 215 (b) (4) of such Act (as amended by section 101 (d) of this Act) is further amended to read as follows:

"(4) The provisions of this subsection shall be applicable only in the case of an individual—

"(A) who becomes entitled to benefits under section 202 (a) or section 223 in or after the month in which a new table that appears in (or is deemed by subsection (i) (2) (D) to appear in) subsection (a) becomes effective; or

"(B) who dies in or after the month in which such table becomes effective without being entitled to benefits under section 202 (a) or section 223; or

"(C) whose primary insurance amount is required to be recomputed under subsection (f) (2) or (6)."

(C) Effective January 1, 1974, section 215 (c) of such Act (as amended by section 101 (e) of this Act) is further amended to read as follows:

"Primary Insurance Amount Under Prior Provisions

"(c) (1) For the purposes of column II of the latest table that appears in (or is deemed to appear in) subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the month in which the latest such table became effective.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202 (a) or section 223, or who died, before such effective month."

(4) Effective January 1, 1974, sections 227 and 228 of such Act (as amended by section 101 (g) of this Act) are further amended by striking out "$50.80" wherever it appears and inserting in lieu thereof "the larger of $50.80 or the amount most recently established in lieu thereof under section 215 (i)", and by striking out "$25.40" wherever it appears and inserting in lieu thereof "the larger of $25.40 or the amount most recently established in lieu thereof under section 215 (i)".

Adjustments in Contribution and Benefit Base

(b) (1) Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"ADJUSTMENT OF THE CONTRIBUTION AND BENEFIT BASE

"SEC. 230. (a) Whenever the Secretary pursuant to section 215 (i) increases benefits effective with the first

month of the calendar year following a cost-of-living computation quarter, he shall also determine and publish in the Federal Register on or before November 1 of the calendar year in which such quarter occurs (along with the publication of such benefit increase as required by section 215(i)(2)(D)) the contribution and benefit base determined under subsection (b) which shall be effective (unless such increase in benefits is prevented from becoming effective by section 215(i)(2)(E)) with respect to remuneration paid after the calendar year in which such quarter occurs and taxable years beginning after such year.

"(b) The amount of such contribution and benefit base shall be the amount of the contribution and benefit base in effect in the year in which the determination is made or, if larger, the product of—

"(1) the contribution and benefit base which was in effect with respect to remuneration paid in (and taxable years beginning in) the calendar year in which the determination under subsection (a) with respect to such particular calendar year was made, and

"(2) the ratio of (A) the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of the calendar year in which the determination under subsection (a) with respect to such particular calendar year was made to (B) the aver-

age of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of 1972 or, if later, the first calendar quarter of the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under subsection (a), with such product, if not a multiple of $300, being rounded to the next higher multiple of $300 where such product is a multiple of $150 but not of $300 and to the nearest multiple of $300 in any other case.

"(c) For purposes of this section, and for purposes of determining wages and self-employment income under sections 209, 211, 213, and 215 of this Act and sections 1402, 3121, 3122, 3125, 6413, and 6654 of the Internal Revenue Code of 1954, the 'contribution and benefit base' with respect to remuneration paid in (and taxable years beginning in) any calendar year after 1971 and prior to the calendar year with the first month of which the first increase in benefits pursuant to section 215(i) of this Act becomes effective shall be $10,200 or (if applicable) such other amount as may be specified in a law enacted subsequent to the Social Security Amendments of 1971."

Adjustments in Earnings Test

(c) Section 203(f) of such Act is amended by adding at the end thereof the following new paragraph:

"(8) (A) Whenever the Secretary pursuant to section 215 (i) increases benefits effective with the first month of the calendar year following a cost-of-living computation quarter, he shall also determine and publish in the Federal Register on or before November 1 of the calendar year in which such quarter occurs (along with the publication of such benefit increase as required by section 215 (i) (2) (D)) a new exempt amount which shall be effective (unless such new exempt amount is prevented from becoming effective by subparagraph (C) of this paragraph) with respect to any individual's taxable year which ends with the close of or after the calendar year with the first month of which such benefit increase is effective (or, in the case of an individual who dies during such calendar year, with respect to such individual's taxable year which ends, upon his death, during such year).

"(B) The exempt amount for each month of a particular taxable year shall be whichever of the following is the larger—

"(i) the exempt amount which was in effect with respect to months in the taxable year in which the determination under subparagraph (A) was made, or

"(ii) the product of the exempt amount de-

scribed in clause (i) and the ratio of (I) the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of the calendar year in which the determination under subparagraph (A) was made to (II) the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of 1972 or, if later, the first calendar quarter of the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under section 230(a), with such product, if not a multiple of $10, being rounded to the next higher multiple of $10 where such product is a multiple of $5 but not of $10 and to the nearest multiple of $10 in any other case.

Whenever the Secretary determines that the exempt amount is to be increased in any year under this paragraph, he shall notify the House Committee on Ways and Means and the Senate Committee on Finance no later than August 15 of such year of the estimated amount of such increase, indicating the new exempt amount, the actuarial estimates of the effect of the increase, and the actuarial assumptions and methodology used in preparing such estimates.

"(C) Notwithstanding the determination of a new exempt amount by the Secretary under subparagraph (A) (and notwithstanding any publication thereof under such subparagraph or any notification thereof under the last sentence of subparagraph (B)), such new exempt amount shall not take effect pursuant thereto if during the calendar year in which such determination is made a law increasing the exempt amount or providing a general benefit increase under this title (as defined in section 215(i)(3)) is enacted."

SPECIAL MINIMUM PRIMARY INSURANCE AMOUNT

SEC. 103. (a) Section 215(a) of the Social Security Act (as amended by section 101(c) of this Act) is further amended—

(1) by striking out "paragraph (2)" in the matter preceding subparagraph (A) of paragraph (1) and inserting in lieu thereof "paragraphs (2) and (3)"; and

(2) by inserting after paragraph (2) the following:

"(3) Such primary insurance amount shall be an amount equal to $5 multiplied by the individual's years of coverage in any case in which such amount is higher than the individual's primary insurance amount as determined under paragraph (1) or (2).

For purposes of paragraph (3), an individual's 'years of

coverage' is the number (not exceeding 30) equal to the sum of (i) the number (not exceeding 14 and disregarding and fraction) determined by dividing the total of the wages credited to him for years after 1936 and before 1951 by $900, plus (ii) the number equal to the number of years after 1950 each of which is a computation base year (within the meaning of subsection (b) (2) (C)) and in each of which he is credited with wages and self-employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (e), may be counted for such year."

(b) Section 203 (a) of such Act (as amended by sections 101 (b) and 102 (a) (2) of this Act) is further amended by striking out "or" at the end of paragraph (2), by striking out the period at the end of paragraph (3) and inserting in lieu thereof ", or", and by inserting after paragraph (3) the following new paragraph:

"(4) whenever the monthly benefits of such individuals are based on an insured individual's primary insurance amount which is determined under section 215 (a) (3) and such primary insurance amount does not appear in column IV of the table in (or deemed to be in) section 215 (a), the applicable maximum amount in column V of such table shall be the amount in such column that appears on the line on which the next higher primary insurance amount appears in column IV, or, if

larger, the largest amount determined for such persons under this subsection for any month prior to February 1971."

(c) Section 215 (a) (2) of such Act (as amended by section 101 (c) of this Act) is further amended by striking out "such primary insurance amount shall be" and all that follows and inserting in lieu thereof the following:

"such primary insurance amount shall be—

"(A) the amount in column IV of such table which is equal to the primary insurance amount upon which such disability insurance benefit is based; except that if such individual was entitled to a disability insurance benefit under section 223 for the month before the effective month of a new table (whether enacted by another law or deemed to be such table under subsection (i) (2) (D)) and in the following month became entitled to an old-age insurance benefit, or he died in such following month, then his primary insurance amount for such following month shall be the amount in column IV of the new table on the line on which in column II of such table appears his primary insurance amount for the month before the effective month of the table (as determined under subsection (c)) instead of the amount in column IV equal to the primary insurance amount

on which his disability insurance benefit is based. For purposes of this paragraph, the term 'primary insurance amount' with respect to any individual means only a primary insurance amount determined under paragraph (1) (and such individual's benefits shall be deemed to be based upon the primary insurance amount as so determined); or

"(B) an amount equal to the primary insurance amount upon which such disability insurance benefit is based if such primary insurance amount was determined under paragraph (3)."

(d) Section 215(f)(2) of such Act (as amended by section 101(f) of this Act) is further amended by striking out "subsection (a)(1)(A) and (C)" and inserting in lieu thereof "subsections (a)(1)(A) and (C) and (a)(3)".

(e) Whenever an insured individual is entitled to benefits for a month which are based on a primary insurance amount under paragraph (1) or paragraph (3) of section 215(a) of the Social Security Act and for the following month such primary insurance amount is increased or such individual becomes entitled to benefits on a higher primary insurance amount under a different paragraph of such section 215(a), such individual's old-age or disability insurance benefit (beginning with the effective month of the increased primary insurance amount, shall be increased by an amount

equal to the difference between the higher primary insurance amount and the primary insurance amount on which such benefit was based for the month prior to such effective month, after the application of section 202 (q) of such Act where applicable, to such difference.

(f) The amendments made by this section shall apply with respect to monthly insurance benefits under title II of the Social Security Act for months after December 1971 (without regard to when the insured individual became entitled to such benefits or when he died) and with respect to lump-sum death payments under such title in the case of deaths occurring after such month.

INCREASED WIDOW'S AND WIDOWER'S INSURANCE BENEFITS

SEC. 104. (a) (1) Section 202 (e) (1) of the Social Security Act is amended—

(A) by striking out "82½ percent of" wherever it appears;

(B) by striking out "entitled, after attainment of age 62, to wife's insurance benefits," in subparagraph (C) (i) and inserting in lieu thereof "entitled to wife's insurance benefits," and by striking out "or" in such subparagraph and inserting in lieu thereof "and (I) has attained age 65 or (II) is not entitled to benefits under

subsection (a) (other than under paragraph (3) thereof) or section 223, or"; and

(C) by striking out "age 62" in subparagraph (C) (ii), and in the matter following subparagraph (G), and inserting in lieu thereof in each instance "age 65".

(2) Paragraph (2) of section 202(e) of such Act is amended to read as follows:

"(2) (A) Except as provided in subsection (q), paragraph (4) of this subsection, and subparagraph (B) of this paragraph, such widow's insurance benefit for each month shall be equal to the primary insurance amount of such deceased individual.

"(B) If the deceased individual (on the basis of whose wages and self-employment income a widow or surviving divorced wife is entitled to widow's insurance benefits under this subsection) was, at any time, entitled to an old-age insurance benefit which was reduced by reason of the application of subsection (q), the widow's insurance benefit of such widow or surviving divorced wife for any month shall, if the amount of the widow's insurance benefit of such widow or surviving divorced wife (as determined under subparagraph (A) and after application of subsection (q)) is greater than—

"(i) the amount of the old-age insurance benefit to which such deceased individual would have been en-

titled (after application of subsection (q)) for such month if such individual were still living, and

"(ii) 82½ percent of the primary insurance amount of such deceased individual,

be reduced to the amount referred to in clause (i), or (if greater) the amount referred to in clause (ii)."

(b) (1) Section 202 (f) (1) of such Act is amended—

(A) by striking out "82½ percent of" wherever it appears;

(B) by striking out "died," in subparagraph (C) and inserting in lieu thereof "died, and (I) has attained age 65 or (II) is not entitled to benefits under subsection (a) or section 223,"; and

(C) by striking out "age 62" in the matter following subparagraph (G) and inserting in lieu thereof "age 65".

(2) Paragraph (3) of section 202 (f) of such Act is amended to read as follows:

"(3) (A) Except as provided in subsection (q), paragraph (5) of this subsection, and subparagraph (B) of this paragraph, such widower's insurance benefit for each month shall be equal to the primary insurance amount of his deceased wife.

"(B) If the deceased wife (on the basis of whose wages and self-employment income a widower is entitled to

widower's insurance benefits under this subsection) was, at any time, entitled to an old-age insurance benefit which was reduced by reason of the application of subsection (q), the widower's insurance benefit of such widower for any month shall, if the amount of the widower's insurance benefit of such widower (as determined under subparagraph (A) and after application of subsection (q)) is greater than—

"(i) the amount of the old-age insurance benefit to which such deceased wife would have been entitled (after application of subsection (q)) for such month if such wife were still living; and

"(ii) 82½ percent of the primary insurance amount of such deceased wife;

be reduced to the amount referred to in clause (i), or (if greater) the amount referred to in clause (ii)."

(c) (1) The last sentence of section 203 (c) of such Act is amended by striking out all that follows the semicolon and inserting in lieu thereof the following: "nor shall any deduction be made under this subsection from any widow's insurance benefits for any month in which the widow or surviving divorced wife is entitled and has not attained age 65 (but only if she became so entitled prior to attaining age 60), or from any widower's insurance benefit for any month in which the widower is entitled and has not attained age 65

(but only if he became so entitled prior to attaining age 62)."

(2) Clause (D) of section 203 (f) (1) of such Act is amended to read as follows: "(D) for which such individual is entitled to widow's insurance benefits and has not attained age 65 (but only if she became so entitled prior to attaining age 60), or widower's insurance benefits and has not attained age 65 (but only if he became so entitled prior to attaining age 62), or".

(d) Section 202 (k) (3) (A) of such Act is amended by striking out "subsection (q) and" and inserting in lieu thereof "subsection (q), subsection (e) (2) or (f) (3), and".

(e) (1) Section 202 (q) (1) of such Act is amended to read as follows:

"(1) If the first month for which an individual is entitled to an old-age, wife's, husband's, widow's, or widower's insurance benefit is a month before the month in which such individual attains retirement age, the amount of such benefit for such month and for any subsequent month shall, subject to the succeeding paragraphs of this subsection, be reduced by—

"(A) 5/9 of 1 percent of such amount if such benefit is an old-age insurance benefit, $^{25}/_{36}$ of 1 percent of such

amount if such benefit is a wife's or husband's insurance benefit, or 19/40 of 1 percent of such amount if such benefit is a widow's or widower's insurance benefit, multiplied by—

"(B) (i) the number of months in the reduction period for such benefit (determined under paragraph (6) (A)), if such benefit is for a month before the month in which such individual attains retirement age, or

"(ii) if less, the number of such months in the adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is (I) for the month in which such individual attains age 62, or (II) for the month in which such individual attains retirement age;

and in the case of a widow or widower whose first month of entitlement to a widow's or widower's insurance benefit is a month before the month in which such widow or widower attains age 60, such benefit, reduced pursuant to the preceding provisions of this paragraph (and before the application of the second sentence of paragraph (8)), shall be further reduced by—

"(C) 43/240 of 1 percent of the amount of such benefit, multiplied by—

"(D) (i) the number of months in the additional reduction period for such benefit (determined under

paragraph (6) (B)), if such benefit is for a month before the month in which such individual attains age 62, or

"(ii) if less, the number of months in the additional adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month in which such individual attains age 62 or any month thereafter."

(2) Section 202 (q) (7) of such Act is amended—

(A) by striking out everything that precedes subparagraph (A) and inserting in lieu thereof the following:

"(7) For purposes of this subsection the 'adjusted reduction period' for an individual's old-age, wife's, husband's, widow's, or widower's insurance benefit is the reduction period prescribed in paragraph (6) (A) for such benefit, and the 'additional adjusted reduction period' for an individual's, widow's, or widower's insurance benefit is the additional reduction period prescribed by paragraph (6) (B) for such benefit, excluding from each such period—"; and

(B) by striking out "attained retirement age" in subparagraph (E) and inserting in lieu thereof "attained age 62, and also for any later month before the month in which he attained retirement age,".

(3) Section 202 (q) (9) of such Act is amended to read as follows:

"(9) For purposes of this subsection, the term 'retirement age' means age 65."

(f) Section 202 (m) of such Act is amended to read as follows:

"Minimum Survivor's Benefit

"(m) (1) In any case in which an individual is entitled to a monthly benefit under this section on the basis of the wages and self-employment income of a deceased individual for any month and no other person is (without the application of subsection (j) (1)) entitled to a monthly benefit under this section for such month on the basis of such wages and self-employment income, such individual's benefit amount for such month, prior to reduction under subsection (k) (3), shall be not less than the first amount appearing in column IV of the table in (or deemed to be in) section 215 (a), except as provided in paragraph (2).

"(2) In the case of any such individual who is entitled to a monthly benefit under subsection (e) or (f), such individual's benefit amount, after reduction under subsection (q) (1), shall be not less than—

"(A) $70.40, if his first month of entitlement to such benefit is the month in which such individual attained age 62 or a subsequent month, or

"(B) $70.40 reduced under subsection (q) (1) as if retirement age as specified in subsection (q) (6) (A) (ii) were age 62 instead of the age specified in subsection (q) (9), if his first month of entitlement to such benefit is before the month in which he attained age 62.

"(3) In the case of any individual whose benefit amount was computed (or recomputed) under the provisions of paragraph (2) and such individual was entitled to benefits under subsection (c) or (f) for a month prior to any month after 1971 for which a general benefit increase under this title (as defined in section 215 (i) (3)) or a benefit increase under section 215 (i) becomes effective, the benefit amount of such individual as computed under paragraph (2) without regard to the reduction specified in subparagraph (B) thereof shall be increased by the percentage increase applicable for such benefit increase, prior to the application of subsection (q) (1) pursuant to paragraph (2) (B) and subsection (q) (4)."

(g) In the case of an indivdual who is entitled to widow's or widower's insurance benefits for the month of December 1971 (and whose benefit is not determined under section 202 (m) of the Social Security Act), the Secretary shall redetermine the amount of such benefits for months after December 1971 under title II of the Social Security Act as if the amendments made by this section had been in effect for

the first month of such individual's entitlement to such benefits.

(h) Where—

(1) two or more persons are entitled to monthly benefits under section 202 of the Social Security Act for December 1971 on the basis of the wages and self-employment income of a deceased individual, and one or more of such persons is so entitled under subsection (e) or (f) of such section 202, and

(2) one or more of such persons is entitled on the basis of such wages and self-employment income to monthly benefits under subsection (e) or (f) of such section 202 (as amended by this section) for January 1972, and

(3) the total of benefits to which all persons are entitled under section 202 of such Act on the basis of such wages and self-employment income for January 1972 is reduced by reason of section 203(a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced),

then the amount of the benefit to which each such person referred to in paragraph (1) is entitled for months after December 1971 shall in no case be less after the application of this section and such section 203(a) than the amount it would have been without the application of this section.

(i) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1971.

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

SEC. 105. (a) (1) (A) Section 209 (a) (6) of the Social Security Act is amended—

(i) by striking out "$9,000" and inserting in lieu thereof "$10,200", and

(ii) by inserting "and prior to 1973" after "1971".

(B) Section 209 (a) of such Act is further amended by adding at the end thereof the following new paragraph:

"(7) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to the contribution and benefit base (determined under section 230) with respect to employment has been paid to an individual during any calendar year after 1972 with respect to which such contribution and benefit base is effective, is paid to such individual during such calendar year;".

(2) (A) Section 211 (b) (1) (F) of such Act is amended—

(i) by inserting "and prior to 1973" after "1971",

(ii) by striking out "$9,000" and inserting in lieu thereof "$10,200", and

(iii) by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 211(b)(1) of such Act is further amended by adding at the end thereof the following new subparagraph:

"(G) For any taxable year beginning in any calendar year after 1972, (i) an amount equal to the contribution and benefit base (as determined under section 230) which is effective for such calendar year, minus (ii) the amount of the wages paid to such individual during such taxable year; or".

(3)(A) Section 213(a)(2)(ii) of such Act is amended by striking out "$9,000 in the case of a calendar year after 1971" and inserting in lieu thereof "$10,200 in the case of a calendar year after 1971 and before 1973, or an amount equal to the contribution and benefit base (as determined under section 230) in the case of any calendar year after 1972 with respect to which such contribution and benefit base is effective".

(B) Section 213(a)(2)(iii) of such Act is amended by striking out "$9,000 in the case of a taxable year beginning after 1971" and inserting in lieu thereof "$10,200 in the case of a taxable year beginning after 1971 and before 1973, or an amount equal to the contribution and benefit base (as determined under section 230) which is effective for the

calendar year in the case of any taxable year beginning in any calendar year after 1972".

(4) Section 215 (e) (1) of such Act is amended by striking out "and the excess over $9,000 in the case of any calendar year after 1971" and inserting in lieu thereof "the excess over $10,200 in the case of any calendar year after 1971 and before 1973, and the excess over an amount equal to the contribution and benefit base (as determined under section 230) in the case of any calendar year after 1972 with respect to which such contribution and benefit base is effective".

(b) (1) (A) Section 1402 (b) (1) (F) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended—

(i) by inserting "and before 1973" after "1971",

(ii) by striking out "$9,000" and inserting in lieu thereof "$10,200", and

(iii) by striking out "; or" and inserting in lieu thereof "; and".

(B) Section 1402 (b) (1) of such Code is further amended by adding at the end thereof the following new subparagraph:

"(G) for any taxable year beginning in any calendar year after 1972, (i) an amount equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) which

is effective for such calendar year, minus (ii) the amount of the wages paid to such individual during such taxable year; or".

(2) (A) Section 3121 (a) (1) of such Code (relating to definition of wages) is amended by striking out "$9,000" each place it appears and inserting in lieu thereof "$10,200".

(B) Effective with respect to remuneration paid after 1972, section 3121 (a) (1) of such Code is amended—

(i) by striking out "$10,200" each place it appears and inserting in lieu thereof "the contribution and benefit base (as determined under section 230 of the Social Security Act)", and

(ii) by striking out "by an employer during any calendar year", and inserting in lieu thereof "by an employer during the calendar year with respect to which such contribution and benefit base is effective".

(3) (A) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "$9,000" and inserting in lieu thereof "$10,200".

(B) Effective with respect to remuneration paid after 1972, the second sentence of section 3122 of such Code is amended by striking out "the $10,200 limitation" and inserting in lieu thereof "the contribution and benefit base limitation".

(4) (A) Section 3125 of such Code (relating to returns

in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out "$9,000" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "$10,200".

(B) Effective with respect to remuneration paid after 1972, section 3125 of such Code is amended by striking out "the $10,200 limitation" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "the contribution and benefit base limitation".

(5) Section 6413(c)(1) of such Code (relating to special funds of emlpoyment taxes) is amended—

(A) by inserting "and prior to the calendar year 1973" after "after the calendar year 1971";

(B) by striking out "exceed $9,000," and inserting in lieu thereof the following: "exceed $10,200, or (F) during any calendar year after the calendar year 1972, the wages received by him during such year exceed the contribution and benefit base (as determined under section 230 of the Social Security Act) which is effective with respect to such year,"; and

(C) by striking out "the first $9,000 of such wages received in such calendar year after 1971" and inserting in lieu thereof "the first $10,200 of such wages received in such calendar year after 1971 and before 1973, or which exceeds the tax with respect to an amount of

such wages received and such calendar year after 1972 equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) which is effective with respect to such year".

(6) Section 6413 (c) (2) (A) of such Code (relating to refunds of employment taxes in the case of Federal employees) is amended by striking out "or $9,000 for any calendar year after 1971" and inserting in lieu thereof "$10,200 for the calendar year 1972, or an amount equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) for any calendar year after 1972 with respect to which such contribution and benefit base is effective".

(7) (A) Section 6654 (d) (2) (B) (ii) of such Code (relating to failure by individual to pay estimated income tax) is amended by striking out "$9,000" and inserting in lieu thereof "$10,200".

(B) Effective with respect to taxable years beginning after 1972, section 6654 (d) (2) (B) (ii) of such Code is amended by striking out "the excess of $10,200 over the amount" and inserting in lieu thereof "the excess of (I) an amount equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) which is effective for the calendar year in which the taxable year begins, over (II) the amount".

(c) The table in section 215 (a) of such Act is amended by adding at the end of columns III, IV, and V the following:

"751	755	296.40	518.70
756	760	297.40	520.50
761	765	298.40	522.20
766	770	299.40	524.00
771	775	300.40	525.70
776	780	301.40	527.50
781	785	302.40	529.20
786	790	303.40	531.00
791	795	304.40	532.70
796	800	305.40	534.50
801	805	306.40	536.20
806	810	307.40	538.00
811	815	308.40	539.70
816	820	309.40	541.50
821	825	310.40	543.20
826	830	311.40	545.00
831	835	312.40	546.70
836	840	313.40	548.50
841	845	314.40	550.20
846	850	315.40	552.00".

(d) The amendments made by subsections (a) (1) and (a) (3) (A), and the amendments made by subsection (b) (except paragraphs (1) and (7) thereof), shall apply only with respect to remuneration paid after December 1971. The amendments made by subsections (a) (2), (a) (3) (B), (b) (1), and (b) (7) shall apply only with respect to taxable years beginning after 1971. The amendment made by subsection (a) (4) shall apply only with respect to calendar years after 1971. The amendment made by subsection (c) shall apply only with respect to months after December 1971.

DELAYED RETIREMENT CREDIT

SEC. 106. (a) Section 202 of the Social Security Act is amended by adding after subsection (v) thereof the following:

"Increase in Old-Age Insurance Benefit Amounts on Account of Delayed Retirement

"(w) (1) If the first month for which an old-age insurance benefit becomes payable to an individual is not earlier than the month in which such individual attains age 65 (or his benefit payable at such age is not reduced under subsection (q)), the amount of the old-age insurance benefit (other than a benefit based on a primary insurance amount determined under section 215(a)(3)) which is payable without regard to this subsection to such individual shall be increased by—

"(A) 1/12 of 1 percent of such amount, multiplied by

"(B) the number (if any) of the increment months for such individual.

"(2) For purposes of this subsection, the number of increment months for any individual shall be a number equal to the total number of the months—

"(A) which have elapsed after the month before the month in which such individual attained age 65 or (if later) December 1970 and prior to the month in which such individual attained age 72, and

"(B) with respect to which—

"(i) such individual was a fully insured individual (as defined in section 214(a)), and

"(ii) such individual either was not entitled to an old-age insurance benefit or suffered deductions under section 203 (b) or 203 (c) in amounts equal to the amount of such benefit.

"(3) For purposes of applying the provisions of paragraph (1), a determination shall be made under paragraph (2) for each year, beginning with 1971, of the total number of an individual's increment months through the year for which the determination is made and the total so determined shall be applicable to such individual's old-age insurance benefits beginning with benefits for January of the year following the year for which such determination is made; except that the total number applicable in the case of an individual who attains age 72 after 1971 shall be determined through the month before the month in which he attains such age and shall be applicable to his old-age insurance benefit beginning with the month in which he attains such age.

"(4) This subsection shall be applied after reduction under section 203 (a), and, in the case of a husband and wife whose benefits are determined under section 203 (a) (3), shall be applied separately to the benefit of each as so determined."

(b) Paragraph (2) of section 202 (a) of such Act (as amended by section 110 (a) of this Act) is further amended by inserting "and subsection (w)" after "subsection (q)".

(c) The amendments made by this section shall be applicable with respect to old-age insurance benefits payable under title II of the Social Security Act for months beginning after 1971.

AGE-62 COMPUTATION POINT FOR MEN

SEC. 107. (a) Section 214 (a) (1) of the Social Security Act is amended by striking out "before—" and all that follows down through "except" and inserting in lieu thereof the following:

"before the year in which he died or (if earlier) the year in which he attained age 62, except".

(b) Section 215 (b) (3) of such Act is amended by striking out "before—" and all that follows down through "For" and inserting in lieu thereof the following:

"before the year in which he died, or if it occurred earlier but after 1960, the year in which he attained age 62. For".

(c) Section 223 (a) (2) of such Act is amended—

(1) by striking out "(if a woman) or age 65 (if a man)",

(2) by striking out "in the case of a woman" and inserting in lieu thereof "in the case of an individual", and

(3) by striking out "she" and inserting in lieu thereof "he".

(d) Section 223(c)(1)(A) of such Act is amended by striking out "(if a woman) or age 65 (if a man)".

(e) Section 227(a) of such Act is amended by striking out "so much of paragraph (1) of section 214(a) as follows clause (C)" and inserting in lieu thereof "paragraph (1) of section 214(a)".

(f) Section 227(b) of such Act is amended by striking out "so much of paragraph (1) thereof as follows clause (C)" and inserting in lieu thereof "paragraph (1) thereof".

(g) Sections 209(i) and 216(i)(3)(A), of such Act are amended by striking out "(if a woman) or age 65 (if a man)".

(h) Section 303(g)(1) of the Social Security Amendments of 1960 is amended—

(1) by striking out "Amendments of 1965 and 1967" and inserting in lieu thereof "Amendments of 1965, 1967, 1969, and 1971 (and by Public Law 92–5)"; and

(2) by striking out "Amendments of 1967" wherever it appears and inserting in lieu thereof "Amendments of 1971".

(i) Paragraph (9) of section 3121(a) of the Internal Revenue Code of 1954 (relating to definition of wages) is amended to read as follows:

"(9) any payment (other than vacation or sick pay) made to an employee after the month in which he attains age 62, if such employee did not work for the employer in the period for which such payment is made;".

(j) (1) The amendments made by this section (except the amendment made by subsection (i), and the amendment made by subsection (g) to section 209 (i) of the Social Security Act) shall apply only in the case of a man who attains (or would attain) age 62 after December 1973. The amendment made by subsection (i), and the amendment made by subsection (g) to section 209 (i) of the Social Security Act, shall apply only with respect to payments after 1973.

(2) In the case of a man who attains age 62 prior to 1974, the number of his elapsed years for purposes of section 215 (b) (3) of the Social Security Act shall be equal to (A) the number determined under such section as in effect on January 1, 1971, or (B) if less, the number determined as though he attained age 65 in 1974, except that monthly benefits under title II of the Social Security Act for months prior to 1972 payable on the basis of his wages and self-employment income shall be determined as though this section had not been enacted.

(3) (A) In the case of a man who attains or will attain

age 62 in 1972, the figure "65" in sections 214 (a) (1), 223 (c) (1) (A), 209 (i), and 216 (i) (3) (A) of the Social Security Act and section 3121 (a) (9) of the Internal Revenue Code of 1954 shall be deemed to read "64".

(B) In the case of a man who attains or will attain age 62 in 1973, the figure "65" in sections 214 (a) (1), 223 (c) (1) (A), 209 (i), and 216 (i) (3) (A) of the Social Security Act and section 3121 (a) (9) of the Internal Revenue Code of 1954 shall be deemed to read "63".

ADDITIONAL DROP-OUT YEARS

SEC. 108. (a) Section 215 (b) (2) (A) of the Social Security Act is amended by inserting ", and further reduced by one additional year for each 15 years of coverage of such individual (as determined under the last sentence of subsection (a) without regard to the 30-year limitation contained therein)" immediately after "reduced by five".

(b) The amendment made by subsection (a) shall be effective for purposes of computing or recomputing, effective for months after December 1971, the average monthly wage of an insured individual who was born after January 1, 1910, and—

(1) who becomes entitled to benefits under section 202 (a) or section 223 of such Act after December 1971;

(2) who dies after December 1971; or

(3) who was entitled to benefits under section 223 of such Act for December 1971.

ELECTION TO RECEIVE ACTUARIALLY REDUCED BENEFITS IN ONE CATEGORY NOT TO BE APPLICABLE TO CERTAIN BENEFITS IN OTHER CATEGORIES

SEC. 109. (a) (1) Sections 202 (b) (1) (E) and 202 (c) (1) (D) of the Social Security Act are each amended by striking out "old-age or disability insurance benefits based on a primary insurance amount" and inserting in lieu thereof "an old-age or disability insurance benefit".

(2) Section 202 (b) (1) (K) of such Act and the matter in section 202 (c) (1) of such Act following subparagraph (D) thereof are each amended by striking out "based on a primary insurance amount".

(b) (1) Section 202 (q) (3) (A) of such Act is amended by striking out all that follows clause (ii) and inserting in lieu thereof the following: "then (subject to the succeeding paragraphs of this subsection) such wife's, husband's, widow's, or widower's insurance benefit for each month shall be reduced as provided in subparagraph (B), (C), or (D) of this paragraph, in lieu of any reduction under paragraph (1), if the amount of the reduction in such benefit under this paragraph is less than the amount of the reduction in such benefit would be under paragraph (1)."

(2) Section 202 (q) (3) of such Act is further amended by striking out subparagraphs (E), (F), and (G).

(c) Section 202 (r) of such Act is repealed.

(d) (1) Subject to paragraph (2), subsection (a) of this section and the amendments made thereby shall apply with respect to benefits for months commencing with the sixth month after the month in which this Act is enacted pursuant to applications filed in or after the month in which this Act is enacted.

(2) In the case of an individual who became entitled to benefits under subsection (a) of section 202 or section 223 of such Act for a month prior to the month in which he attains age 65 pursuant to an application filed before the month in which this Act is enacted, and who is so entitled for the fifth month following the month of enactment of this Act, and whose entitlement to benefits under subsection (b) or (c) of such section 202 was prevented by subsection (b) (1) (E) or (c) (1) (D) of such section as in effect prior to the enactment of this Act, the benefits to which such individual is entitled for months after such fifth month shall be redetermined in accordance with subparagraphs (B), (C), (D) of subsection (e) (2) of this section, if, in addition to the application required by paragraph (A) of subsection 202 (b) (1) and 202 (c) (1), he files a written request for such a redetermination.

(e) (1) (A) Subject to subparagraph (B), subsection (b) of this section and the amendments made thereby shall apply with respect to benefits for months commencing with

the sixth month after the month in which this Act is enacted.

(B) Subsection (b) of this section and the amendments made thereby shall apply in the case of an individual whose entitlement to benefits under section 202 of the Social Security Act began (without regard to sections 202 (j) (1) and 223 (b) of such Act) before the sixth month after the month in which this Act is enacted only if such individual files with the Secretary of Health, Education, and Welfare, in such manner and form as the Secretary shall by regulations prescribe, a written request that such subsection and such amendments apply. In the case of such an individual who is described in paragraph (2) (A) (i) of this subsection, the request for a redetermination under paragraph (2) shall constitute the request required by this subparagraph, and subsection (b) of this section and the amendments made thereby shall apply pursuant to such request with respect to such individual's benefits as redetermined in accordance with paragraph (2) (B) (i) (but only if he does not refuse to accept such redetermination). In the case of any individual with respect to whose benefits subsection (b) of this section and the amendments made thereby may apply only pursuant to a request made under this subparagraph, such subsection and such amendments shall be effective (subject to paragraph (2) (D)) with respect to benefits for months commencing with the sixth month after the month in which this

Act is enacted or, if the request required by this subparagraph is not filed before the end of such sixth month, with the second month following the month in which the request is filed.

(C) Subsection (c) of this section shall apply with respect to benefits payable pursuant to applications filed on or after the date of the enactment of this Act.

(2) (A) In any case where an individual—

(i) is entitled, for the fifth month following the month in which this Act is enacted, to a monthly insurance benefit under section 202 of the Social Security Act (I) which was reduced under subsection (q) (3) of such section, and (II) the application for which was deemed (or, except for the fact that an application had been filed, would have been deemed) to have been filed by such individual under subsection (r) (1) or (2) of such section, and

(ii) files a written request for a redetermination under this subsection, on or after the date of the enactment of this Act and in such manner and form as the Secretary of Health, Education, and Welfare shall by regulations prescribe,

the Secretary shall redetermine the amount of such benefit, and the amount of the other benefit (reduced under subsection (q) (1) or (2) of such section) which was taken into

account in computing the reduction in such benefit under such subsection (q) (3), in the manner provided in subparagraph (B) of this paragraph.

(B) Upon receiving a written request for the redetermination under this paragraph of a benefit which was reduced under subsection (q) (1), (2), or (3) of section 202 of the Social Security Act (or would have been so reduced except for subsection (b) (1) (E) or (c) (1) (D) of such section 202 as in effect prior to the enactment of this Act) and of the other benefit which was (or would have been) taken into account in computing such reduction, filed by an individual as provided in subsection (d) (2) or subparagraph (A) of this paragraph, the Secretary shall—

(i) determine the highest monthly benefit amount which such individual could receive under the subsections of such section 202 which are involved (or under section 223 of such Act and the subsection of such section 202 which is involved) for the month with which the redetermination is to be effective under subparagraph (D) of this subsection (without regard to sections 202 (k), 203 (a), and 203 (b) through (l) as if—

(I) such individual's application for one of such two benefits had been filed in the month in which it was actually filed or was deemed under

subsection (r) of such section 202 to have been filed, and his application for the other such benefit had been filed in a later month, and

(II) the amendments made by this section had been in effect at the time each such application was filed; and

(ii) determine whether the amounts which were actually received by such individual in the form of such benefit or of such two benefits during the period prior to the month with which the redetermination under this paragraph is to be effective were in excess of the amounts which would have been received during such period if the applications for such benefits had actually been filed at the times fixed under clause (i) (I) of this subparagraph, and, if so, the total amount by which benefits otherwise payable to such individual under such section 202 (and section 223) would have to be reduced in order to compensate the Federal Old-Age and Survivors Insurance Trust Fund (and the Federal Disability Insurance Trust Fund) for such excess.

(C) The Secretary shall then notify such individual of the amount of each such benefit as computed in accordance with the amendments made by subsections (a), (b), and (c) of this section and as redetermined in accordance with subparagraph (B) (i) of this paragraph, specifying (i) the

amount (if any) of the excess determined under subparagraph (B) (ii) of this paragraph, and (ii) the period during which payment of any increase in such individual's benefits resulting from the application of the amendments made by subsections (a), (b), and (c) of this section would under designated circumstances have to be withheld in order to effect the reduction described in subparagraph (B) (ii). Such individual may at any time within thirty days after such notification is mailed to him refuse (in such manner and form as the Secretary shall by regulations prescribe) to accept the redetermination under this paragraph, in which event such redetermination shall not take effect.

(D) Unless the last sentence of subparagraph (C) applies, a redetermination under this paragraph shall be effective (but subject to the reduction described in subparagraph (B) (ii) over the period specified pursuant to clause (ii) of the first sentence of subparagraph (C)) beginning with the sixth month following the month in which this Act is enacted, or, if the request for such redetermination is not filed before the end of such sixth month, with the second month following the month in which the request for such redetermination is filed.

(E) The Secretary, by withholding amounts from benefits otherwise payable to an individual under title II of the Social Security Act as specified in clause (ii) of the first

sentence of subparagraph (C) (and in no other manner), shall recover the amounts necessary to compensate the Federal Old-Age and Survivors Insurance Trust Fund (and the Federal Disability Insurance Trust Fund) for the excess (described in subparagraph (B) (ii)) attributable to benefits which were paid such individual and to which a redetermination under this subsection applies.

(f) Where—

(1) two or more persons are entitled on the basis of the wages and self-employment income of an individual (without the application of sections 202(j)(1) and 223(b) of the Social Security Act) to monthly benefits under section 202 of such Act for the month preceding the month with which (A) a redetermination under subsection (e) of this section becomes effective with respect to the benefits of any one of them and (B) such benefits are accordingly increased by reason of the amendments made by subsections (a), (b), and (c) of this section, and

(2) the total of benefits to which all persons are entitled under such section 202 on the basis of such wages and self-employment income for the month with which such redetermination and increase becomes effective is reduced by reason of section 203(a) of such Act

as amended by this Act (or would, but for the penultimate sentence of such section 203 (a), be so reduced), then the amount of the benefit to which each of the persons referred to in paragraph (1), other than the person with respect to whose benefits such redetermination and increase is applicable, is entitled for months beginning with the month with which such redetermination and increase becomes effective shall be adjusted, after the application of such section 203 (a), to an amount no less than the amount it would have been if such redetermination and increase had not become effective.

COMPUTATION OF BENEFITS BASED ON COMBINED EARNINGS OF HUSBAND AND WIFE

SEC. 110. (a) Section 202 (a) of the Social Security Act is amended to read as follows:

"(a) (1) Every individual who—

"(A) is a fully insured individual (as defined in section 214 (a)),

"(B) has attained age 62, and

"(C) has filed application for old-age insurance benefits or was entitled to disability insurance benefits for the month preceding the month in which he attained age 65,

shall be entitled to an old-age insurance benefit for each month beginning with the first month in which such individ-

ual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies.

"(2) Except as provided in subsection (q), such individual's old-age insurance benefit for any month shall be equal to his primary insurance amount for such month as determined under section 215(a), or as determined under paragraph (3) of this subsection if such paragraph is applicable and its application increases the total of the monthly insurance benefits to which such individual and his spouse are entitled for the month in which the provisions of paragraph (3) are met. If the primary insurance amount of an individual or his spouse for any month is determined under paragraph (3), the primary insurance amount of each of them for such month shall, notwithstanding the preceding sentence, be determined only under paragraph (3).

"(3) If an individual and his spouse—

"(A) each has at least 20 years of coverage (as determined under the last sentence of section 215(a), with years of coverage determined under clause (i) of such sentence being credited for 1950 and consecutive prior years, and without the application of the last sentence of section 215(b)(2)(C)), taking into account only years occurring during the period beginning with the calendar year in which they were married,

"(B) each attained age 62 after 1971,

"(C) each is entitled to benefits under this subsection (or section 223), and

"(D) each has filed an election to have his primary insurance amount determined under this paragraph,

then the primary insurance amount of such individual and the primary insurance amount of such spouse, for purposes of determining the old-age insurance benefit (prior to the application of subsection (w)) or disability insurance benefit of each of them for any month beginning with January 1972 or, if later, the month in which their elections under subparagraph (D) were filed, and ending with the month preceding the month in which either of them dies or they are divorced, shall be equal to 75 percent of the amount (specified in subparagraph (G)) derived by—

"(E) combining the annual wages and self-employment income of such individual and such spouse (including any wages and self-employment income taken into account in a recomputation made under section 215(f)) for each year in which either or both of them had any such wages or self-employment income, up to the maximum amount prescribed in section 215(e) for such year,

"(F) computing (under section 215(b) and (d)) an average monthly wage on the basis of the wages and self-employment income determined under subparagraph (E) (or, if any wages and self-employment income have

been taken into account in a recomputation under section 215(f), recomputing as provided in section 215(a)(1)(A) and (C) as though the year with respect to which such recomputation is made is the last year of the period specified in section 215(b)(2)(C)), as though all of such wages and self-employment income had been earned or derived by such individual or his spouse, whichever is younger, and

"(G) determining (under section 215(a)) an amount equal to the primary insurance amount which would result from the average monthly wage determined under subparagraph (F).

For purposes of subparagraph (F), if an individual or his spouse is entitled to disability insurance benefits, such individual or spouse shall be deemed to have attained age 62 at the time provided in section 223(a)(2).

"(4) No benefits payable under subsections (b), (c), (d), (e), (f), (g), (h), or (i) shall be computed on the basis of a primary insurance amount determined under paragraph (3) of this subsection.

"(5) The term 'primary insurance amount' as used in the provisions of this title other than this subsection shall not include a primary insurance amount determined under paragraph (3) unless specifically so indicated."

(b)(1) Section 202(e)(1)(C)(i) of such Act (as

amended by section 104 (a) (1) (B) of this Act) is further amended by striking out "such individual," and inserting in lieu thereof "such individual or to an old-age or disability insurance benefit determined under subsection (a) (3),".

(2) Section 202 (e) (2) of such Act (as amended by section 104 (a) (2) of this Act) is further amended—

(A) by striking out "and subparagraph (B) of this paragraph" in subparagraph (A) and inserting in lieu thereof "and subparagraphs (B) and (C) of this paragraph"; and

(B) by adding at the end thereof the following new subparagraph:

"(C) In any case where a widow was entitled for the month preceding the month in which the deceased individual died to an old-age insurance benefit or a disability insurance benefit based on a primary insurance amount determined under section 202 (a) (3), such widow's insurance benefit for each month shall be determined only on the basis of the wages and self-employment income of her deceased spouse and, for purposes of subparagraph (B), the old-age or disability insurance benefit of the deceased spouse shall be deemed to be the amount it would have been if it had been determined under subsection (a) (1) or section 223, except that after the application of subparagraphs (A) and (B), and subsection 203 (a), such widow's insurance benefit

shall be not less than the amount of the old-age or disability insurance benefit to which she would be entitled for such month (based on a primary insurance amount determined under subsection (a) (3)) if such individual had not died, disregarding for this purpose the period beginning with the year after the year of such individual's death and any wages and self-employment income paid to or derived by either of them during such period. This subparagraph shall not apply, in the case of a widow who remarries, with respect to the month in which such remarriage occurs or any subsequent month."

(c) Section 202 (f) (3) of such Act (as amended by section 104 (b) (2) of this Act) is further amended—

(A) by striking out "and subparagraph (B) of this paragraph" in subparagraph (A) and inserting in lieu thereof "and subparagraphs (B) and (C) of this paragraph"; and

(B) by adding at the end thereof the following new subparagraph:

"(C) In any case where a widower was entitled for the month preceding the month in which the deceased individual died to an old-age insurance benefit or a disability insurance benefit based on a primary insurance amount determined under section 202 (a) (3), such widower's insurance benefit for each month shall be determined only on the basis of the

wages and self-employment income of his deceased spouse and, for purposes of subparagraph (B), the old-age or disability insurance benefit of the deceased spouse shall be deemed to be the amount it would have been if it had been determined under subsection (a) (1) or section 223, except that after the application of subparagraphs (A) and (B), and subsection 203 (a), such widower's insurance benefit shall be not less than the amount of the old-age or disability insurance benefit to which he would be entitled for such month (based on a primary insurance amount determined under subsection (a) (3)) if such individual had not died, disregarding for this purpose the period beginning with the year after the year of such individual's death and any wages and self-employment income paid to or derived by either of them during such period. This subparagraph shall not apply, in the case of a widower who remarries, with respect to the month in which such remarriage occurs or any subsequent month."

(d) Section 203 (a) of such Act (as amended by sections 101 (b), 102 (a) (2), and 103 (b) of this Act) is further amended by striking out "or" at the end of paragraph (3), by striking out the period at the end of paragraph (4) and inserting in lieu thereof "; or", and by inserting after paragraph (4) the following new paragraph:

"(5) in applying this subsection in any case where the primary insurance amount of the insured individual

was determined under section 202 (a) (3) and his entitlement under such section has not terminated, the total of monthly benefits to which persons other than such individual may be entitled on the basis of such individual's wages and self-employment income shall be determined as though such individual's primary insurance amount had instead been determined under section 215 (a) and without regard to section 202 (a) (3)."

(e) (1) Section 215 (a) (1) of such Act (as amended by sections 101 (c) and 103 (a) (1) of this Act) is amended by inserting after "this subsection" in the matter preceding subparagraph (A) the following: "and in section 202 (a) (3)".

(2) Section 215 (a) (2) of such Act (as amended by sections 101 (c) and 103 (c) of this Act) is further amended—

(A) by striking out "or" at the end of subparagraph (A),

(B) by striking out the period at the end of subparagraph (B) and inserting in lieu thereof "; or;", and

(C) by adding at the end thereof the following new subparagraph:

"(C) an amount equal to the primary insurance amount on which such disability insurance

benefit is based if such primary insurance amount was determined under section 202(a)(3)."

(3) Section 215(f)(1) of such Act is amended by inserting "(or section 202(a)(3))" after "determined under this section."

(4) The second sentence of section 215(f)(2) of such Act is amended by inserting before the period at the end thereof the following: ", and, in the case of an individual whose primary insurance amount was determined under section 202(a)(3), as though such amount had instead been determined under subsection (a) of this section and without regard to section 202(a)(3)".

(5) Section 223(a)(2) of such Act (as amended by section 107(c) of this Act) is amended by inserting "(or under section 202(a)(3))" after "under section 215".

(f) The amendments made by this section shall apply only with respect to monthly insurance benefits under title II of the Social Security Act for months after December 1971.

LIBERALIZATION OF EARNINGS TEST

SEC. 111. (a)(1) Paragraphs (1) and (4)(B) of section 203(f) of the Social Security Act are each amended by striking out "$140" and inserting in lieu thereof "$166.66⅔ or the exempt amount as determined under paragraph (8)".

(2) Paragraph (1) (A) of section 203 (h) of such Act is amended by striking out "$140" and inserting in lieu thereof "$166.66⅔ or the exempt amount as determined under subsection (f) (8)".

(3) Paragraph (3) of section 203 (f) of such Act is amended to read as follows:

"(3) For purposes of paragraph (1) and subsection (h), an individual's excess earnings for a taxable year shall be 50 per centum of his earnings for such year in excess of the product of $166.66⅔ or the exempt amount as determined under paragraph (8), multiplied by the number of months in such year. The excess earnings as derived under the preceding sentence, if not a multiple of $1, shall be reduced to the next lower multiple of $1."

(b) The amendments made by this section shall apply with respect to taxable years ending after December 1971.

EXCLUSION OF CERTAIN EARNINGS IN YEAR OF ATTAINING AGE 72

SEC. 112. (a) The first sentence of section 203 (f) (3) of the Social Security Act (as amended by section 111 (a) (3) of this Act) is further amended by inserting before the period at the end thereof the following: ", except that, in determining an individual's excess earnings for the taxable year in which he attains age 72, there shall be excluded any

earnings of such individual for the month in which he attains such age and any subsequent month (with any net earnings or net loss from self-employment in such year being prorated in an equitable manner under regulations of the Secretary)".

(b) The amendment made by subsection (a) shall apply with respect to taxable years ending after December 1971.

REDUCED BENEFITS FOR WIDOWERS AT AGE 60

SEC. 113. (a) Section 202(f) of the Social Security Act (as amended by section 104(b) of this Act) is further amended—

(1) by striking out "age 62" each place it appears in subparagraph (B) of paragraph (1) and in paragraph (6) and inserting in lieu thereof "age 60";

(2) by striking out "or the third month" in the matter following subparagraph (G) in paragraph (1) and inserting in lieu thereof "or, if he became entitled to such benefits before he attained age 60, the third month"; and

(3) by striking out "the age of 62" in paragraph (5) and inserting in lieu thereof "the age of 60".

(b) (1) The last sentence of section 203(c) of such Act (as amended by section 104(c)(1) of this Act) is further amended by striking out "age 62" and inserting in lieu thereof "age 60"

(2) Clause (D) of section 203(f)(1) of such Act as amended by section 104(c)(2) of this Act) is further amended by striking out "age 62" and inserting in lieu thereof "age 60".

(3) Section 222(b)(1) of such Act is amended by striking out "a widow or surviving divorced wife who has not attained age 60, a widower who has not attained age 62" and inserting in lieu thereof "a widow, widower or surviving divorced wife who has not attained age 60".

(4) Section 222(d)(1)(D) of such Act is amended by striking out "age 62" each place it appears and inserting in lieu thereof "age 60".

(5) Section 225 of such Act is amended by striking out "age 62" and inserting in lieu thereof "age 60".

(c) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1971, except that in the case of an individual who was not entitled to a monthly benefit under title II of such Act for December 1971 such amendments shall apply only on the basis of an application filed in or after the month in which this Act is enacted.

ENTITLEMENT TO CHILD'S INSURANCE BENEFITS BASED ON DISABILITY WHICH BEGAN BETWEEN AGE 18 AND 22

SEC. 114. (a) Clause (ii) of section 202(d)(1)(B) of the Social Security Act is amended by striking out "which

began before he attained the age of eighteen" and inserting in lieu thereof "which began before he attained the age of 22".

(b) Subparagraphs (F) and (G) of section 202(d)(1) of such Act are amended to read as follows:

"(F) if such child was not under a disability (as so defined) at the time he attained the age of 18, the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined) in such earlier month; or

"(G) if such child was under a disability (as so defined) at the time he attained the age of 18, or if he was not under a disability (as so defined) at such time but was under a disability (as so defined) at or prior to the time he attained (or would attain) the age of 22, the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22,

but only if he was not under a disability (as so defined) in such earlier month."

(c) Section 202(d)(1) of such Act is further amended by adding at the end thereof the following new sentence: "No payment under this paragraph may be made to a child who would not meet the definition of disability in section 223(d) except for paragraph (1)(B) thereof for any month in which he engages in substantial gainful activity."

(d) Section 202(d)(6) of such Act is amended by striking out "in which he is a full-time student and has not attained the age of 22" and all that follows and inserting in lieu thereof "in which he—

"(A)(i) is a full-time student or is under a disability (as defined in section 223(d)), and (ii) had not attained the age of 22, or

"(B) is under a disability (as so defined) which began before the close of the 84th month following the month in which his most recent entitlement to child's insurance benefits terminated because he ceased to be under such disability,

but only if he has filed application for such reentitlement. Such reentitlement shall end with the month preceding whichever of the following first occurs:

"(C) the first month in which an event specified in paragraph (1)(D) occurs;

"(D) the earlier of (i) the first month during no part of which he is a full-time student or (ii) the month in which he attains the age of 22, but only if he is not under a disability (as so defined) in such earlier month; or

"(E) if he was under a disability (as so defined), the third month following the month in which he ceases to be under such disability or (if later) the earlier of—

"(i) the first month during no part of which he is a full-time student, or

"(ii) the month in which he attains the age of 22."

(e) Section 202(s) of such Act is amended—

(1) by striking out "which began before he attained such age" in paragraph (1); and

(2) by striking out "which began before such child attained the age of 18" in paragraphs (2) and (3).

(f) The amendments made by this section shall apply only with respect to monthly benefits under section 202 of the Social Security Act for months after December 1971 except that in the case of an individual who was not entitled to a monthly benefit under such section 202 for December 1971 such amendments shall apply only on the basis of an application filed after September 30, 1971.

(g) Where—

(1) one or more persons are entitled (without the application of sections 202(j)(1) and 223(b) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for December 1971 on the basis of the wages and self-employment income of an insured individual, and

(2) one or more persons (not included in paragraph (1)) are entitled to monthly benefits under such section 202 or 223 for January 1972 solely by reason of the amendments made by this section on the basis of such wages and self-employment income, and

(3) the total of benefits to which all persons are entitled under such sections 202 and 223 on the basis of such wages and self-employment income for January 1972 is reduced by reason of section 203(a) of such Act as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced),

then the amount of the benefit to which each person referred to in paragraph (1) of this subsection is entitled for months after December 1971 shall be adjusted, after the application of such section 203(a), to an amount no less than the amount it would have been if the person or persons referred to in paragraph (2) of this subsection were not entitled to a benefit referred to in such paragraph (2).

CONTINUATION OF CHILD'S BENEFITS THROUGH END OF SEMESTER

SEC. 115. (a) Paragraph (7) of section 202 (d) of the Social Security Act is amended by adding at the end thereof the following new subparagraph:

"(D) A child who attains age 22 at a time when he is a full-time student (as defined in subparagraph (A) of this paragraph) but has not (at such time) completed the requirements for, or received, a degree from a four-year college or university shall be deemed (for purposes of determining whether his entitlement to benefits under this subsection has terminated under paragraph (1) (F) and for purposes of determining his initial entitlement to such benefits under clause (ii) of paragraph (1) (B)) not to have attained such age until the first day of the first month following the end of the quarter or semester in which he is enrolled at such time (or, if the educational institution (as defined in this paragraph) in which he is enrolled is not operated on a quarter or semester system, until the first day of the first month following the completion of the course in which he is so enrolled or until the first day of the third month beginning after such time, whichever first occurs)."

(b) The amendment made by subsection (a) shall

apply only with respect to benefits payable under title II of the Social Security Act for months after December 1971.

CHILD'S BENEFITS IN CASE OF CHILD ENTITLED ON MORE THAN ONE WAGE RECORD

SEC. 116. (a) Section 202 (k) (2) (A) of the Social Security Act is amended to read as follows:

"(2) (A) (i) Any child who under the preceding provisions of this section is entitled for any month to child's insurance benefits on the wages and self-employment income of more than one insured individual shall, notwithstanding such provisions, be entitled to only one of such child's insurance benefits for such month. Subject to the succeeding provisions of this subparagraph, such child's insurance benefit for such month shall be the largest benefit to which such child could be entitled under subsection (d) (without the application of section 203 (a)).

"(ii) If the largest benefit to which such child could be entitled under subsection (d) is based on the wages and self-employment income of an insured individual other than the insured individual who has the greatest primary insurance amount, but payment of such benefit on the basis of such wages and self-employment income would result in a smaller benefit (after the application of section 203 (a)) for such month for any other person entitled to benefits based on such wages and self-employment income, such child's insurance

benefit for such month shall (subject to clause (iii)) be the benefit based on the wages and self-employment income of the insured individual who has the greatest primary insurance amount.

"(iii) If there are two or more insured individuals (other than the insured individual who has the greatest primary insurance amount) on the basis of whose wages and self-employment income such child could be entitled under subsection (d) to a benefit larger than the benefit based on the wages and self-employment income of the insured individual who has the greatest primary insurance amount, such child's insurance benefit for such month shall be the largest benefit to which such child could be entitled under subsection (d) (without the application of section 203 (a)) on the basis of the wages and self-employment income of any of them with respect to whom the provisions of clause (ii) are not applicable, and shall not be the benefit based on the wages and self-employment income of the insured individual who has the greatest primary insurance amount as otherwise specified in clause (ii) unless the provisions of such clause are applicable with respect to all of such insured individuals."

(b) The amendment made by subsection (a) shall apply only with respect to monthly benefits under title II of the Social Security Act for months after December 1971.

ADOPTIONS BY DISABILITY AND OLD-AGE INSURANCE BENEFICIARIES

SEC. 117. (a) Section 202 (d) of the Social Security Act is amended by striking out paragraphs (8) and (9) and inserting in lieu thereof the following new paragraph:

"(8) In the case of—

"(A) an individual entitled to old-age insurance benefits (other than an individual referred to in subparagraph (B)), or

"(B) an individual entitled to disability insurance benefits, or an individual entitled to old-age insurance benefits who was entitled to disability insurance benefits for the month preceding the first month for which he was entitled to old-age insurance benefits,

a child of such individual adopted after such individual became entitled to such old-age or disability insurance benefits shall be deemed not to meet the requirements of clause (i) or (iii) of paragraph (1) (C) unless such child—

"(C) is the natural child or stepchild of such individual (including such a child who was legally adopted by such individual), or

"(D) (i) was legally adopted by such individual in an adoption decreed by a court of competent jurisdiction within the United States,

"(ii) was living with such individual in the United States and receiving at least one-half of his support from such individual (I) if he is an individual referred to in subparagraph (A), for the year immediately before the month in which such individual became entitled to old-age insurance benefits or, if such individual had a period of disability which continued until he had become entitled to old-age insurance benefits, the month in which such period of disability began, or (II) if he is an individual referred to in subparagraph (B), for the year immediately before the month in which began the period of disability of such individual which still exists at the time of adoption (or, if such child was adopted by such individual after such individual attained age 65, the period of disability of such individual which existed in the month preceding the month in which he attained age 65), or the month in which such individual became entitled to disability insurance benefits, and

"(iii) had not attained the age of 18 before he began living with such individual.

In the case of a child who was born in the one-year period during which such child must have been living with and receiving at least one-half of his support from such individual, such child shall be deemed to meet such requirements for such period if, as of the close of such period, such child

has lived with such individual in the United States and received at least one-half of his support from such individual for substantially all of the period which begins on the date of birth of such child."

(b) The amendment made by subsection (a) shall apply with respect to monthly benefits payable under title II of the Social Security Act for months after December 1967 on the basis of an application filed in or after the month in which this Act is enacted; except that such amendments shall not apply with respect to benefits for any month before the month in which this Act is enacted unless such application is filed before the close of the sixth month after the month in which this Act is enacted.

CHILD'S INSURANCE BENEFITS NOT TO BE TERMINATED BY REASON OF ADOPTION

SEC. 118. (a) Paragraph (1) (D) of section 202 (d) of the Social Security Act is amended by striking out "marries" and all that follows and inserting in lieu thereof "or marries,".

(b) The amendment made by subsection (a) shall apply only with respect to monthly benefits under title II of the Social Security Act for months beginning with the month in which this Act is enacted.

(c) Any child—

(1) whose entitlement to child's insurance benefits

under section 202 (d) of the Social Security Act was terminated by reason of his adoption, prior to the date of the enactment of this Act, and

(2) who, except for such adoption, would be entitled to child's insurance benefits under such section for a month after the month in which this Act is enacted,

may, upon filing application for child's insurance benefits under the Social Security Act after the date of enactment of this Act, become reentitled to such benefits; except that no child shall, by reason of the enactment of this section, become reentitled to such benefits for any month prior to the month after the month in which this Act is enacted.

BENEFITS FOR CHILD BASED ON EARNINGS RECORD OF GRANDPARENT

SEC. 119. (a) The first sentence of section 216 (e) of the Social Security Act is amended—

(1) by striking out "and" at the end of clause (1), and

(2) by inserting immediately before the period at the end thereof the following: ", and (3) a person who is the grandchild or stepgrandchild of an individual or his spouse, but only if (A) neither of such person's natural or adoptive parents were living at the time (i) such individual became entitled to old-age insurance benefits or disability insurance benefits or died, or (ii) if such indi-

vidual had a period of disability which continued until such individual became entitled to old-age insurance benefits or disability insurance benefits, or died, at the time such period of disability began, or (B) such person was legally adopted after the death of such individual by such individual's surviving spouse in an adoption that was decreed by a court of competent jurisdiction within the United States and such person's natural or adopting parent or stepparent was not living in such individual's household and making regular contributions toward such person's support at the time such individual died".

(b) Section 202(d) of such Act (as amended by section 117 of this Act) is further amended by adding at the end thereof the following new paragraph:

"(9) (A) A child who is a child of an individual under clause (3) of the first sentence of section 216(e) and is not a child of such individual under clause (1) or (2) of such first sentence shall be deemed not to be dependent on such individual at the time specified in subparagraph (1) (C) of this subsection unless (i) such child was living with such individual in the United States and receiving at least one-half of his support from such individual (I) for the year immediately before the month in which such individual became entitled to old-age insurance benefits or disability insurance benefits or died, or (II) if such individual had a period of disability

which continued until he had become entitled to old-age insurance benefits, or disability insurance benefits, or died, for the year immediately before the month in which such period of disability began, and (ii) the period during which such child was living with such individual began before the child attained age 18.

"(B) In the case of a child who was born in the one-year period during which such child must have been living with and receiving at least one-half of his support from such individual, such child shall be deemed to meet such requirements for such period if, as of the close of such period, such child has lived with such individual in the United States and received at least one-half of his support from such individual for substantially all of the period which begins on the date of such child's birth."

(c) The amendments made by this section shall apply with respect to monthly benefits payable under title II of the Social Security Act for months after December 1971, but only on the basis of applications filed on or after the date of the enactment of this Act.

ELIMINATION OF SUPPORT REQUIREMENT AS CONDITION OF BENEFITS FOR DIVORCED AND SURVIVING DIVORCED WIVES

SEC. 120. (a) Section 202 (b) (1) of the Social Security Act (as amended by section 109 (a) of this Act) is further amended—

(1) by adding "and" at the end of subparagraph (C),

(2) by striking out subparagraph (D), and

(3) by redesignating, subparagraphs (E) through (L) as subparagraphs (D) through (K), respectively.

(b) (1) Section 202 (e) (1) of such Act (as amended by section 104 (a) of this Act) is further amended—

(A) by adding "and" at the end of subparagraph (C),

(B) by striking out subparagraph (D), and

(C) by redesignating subparagraphs (E) through (G) as subparagraphs (D) through (F), respectively.

(2) Section 202 (e) (6) of such Act is amended by striking out "paragraph (1) (G)" and inserting in lieu thereof "paragraph (1) (F)".

(c) Section 202 (g) (1) (F) of such Act is amended by striking out clause (i), and by redesignating clauses (ii) and (iii) as clauses (i) and (ii), respectively.

(d) The amendments made by this section shall apply only with respect to benefits payable under title II of the Social Security Act for months after December 1971 on the basis of applications filed on or after the date of enactment of this Act.

(e) Where—

(1) one or more persons are entitled (without the

application of sections 202 (j) (1) and 223 (b) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for December 1971 on the basis of the wages and self-employment income of an insured individual, and

(2) one or more persons (not included in paragraph (1)) are entitled to monthly benefits under such section 202 (g) for a month after December 1971 on the basis of such wages and self-employment income, and

(3) the total of benefits to which all persons are entitled under such section 202 and 223 on the basis of such wages and self-employment income for any month after December 1971 is reduced by reason of section 203 (a) of such Act as amended by this Act (or would, but for the penultimate sentence of such section 203 (a), be so reduced);

then the amount of the benefit to which each person referred to in paragraph (1) of this subsection is entitled beginning with the first month after December 1971 for which any person referred to in paragraph (2) becomes entitled shall be adjusted, after the application of such section 203 (a), to an amount no less than the amount it would have been if the person or persons referred to in paragraph (2) of this subsection were not entitled to a benefit referred to in such paragraph (2).

WAIVER OF DURATION-OF-RELATIONSHIP REQUIREMENT FOR WIDOW, WIDOWER, OR STEPCHILD IN CASE OF REMARRIAGE TO THE SAME INDIVIDUAL

SEC. 121. (a) The heading of section 216(k) of the Social Security Act is amended by adding at the end thereof ", or in Case of Remarriage to the Same Individual".

(b) Section 216(k) of such Act is amended by striking out "if his death—" and all that follows and inserting in lieu thereof "if—

"(1) his death—

"(A) is accidental, or

"(B) occurs in line of duty while he is a member of a uniformed service serving on active duty (as defined in section 210(l)(2))

and he would satisfy such requirement if a three-month period were substituted for the nine-month period, or

"(2)(A) the widow or widower of such individual had been previously married to such individual and subsequently divorced and such requirement would have been satisfied at the time of such divorce if such previous marriage had been terminated by the death of such individual at such time instead of by divorce; or

"(B) the stepchild of such individual had been the stepchild of such individual during a previous marriage of such stepchild's parent to such individual which

ended in divorce and such requirement would have been satisfied at the time of such divorce if such previous marriage had been terminated by the death of such individual at such time instead of by divorce;

except that this subsection shall not apply if the Secretary determines that at the time of the marriage involved the individual could not have reasonably been expected to live for nine months. For purposes of paragraph (1) (A) of this subsection, the death of an individual is accidental if he receives bodily injuries solely through violent, external, and accidental means and, as a direct result of the bodily injuries and independently of all other causes, loses his life not later than three months after the day on which he receives such bodily injuries."

(c) The amendments made by this section shall apply only with respect to benefits payable under title II of the Social Security Act for months after December 1971 on the basis of applications filed in or after the month in which this Act is enacted.

REDUCTION FROM 6 TO 5 MONTHS OF WAITING PERIOD FOR DISABILITY BENEFITS

SEC. 122. (a) Section 223 (c) (2) of the Social Security Act is amended—

(1) by striking out "six" and inserting in lieu thereof "five", and

(2) by striking out "eighteenth" each place it appears and inserting in lieu thereof "seventeenth".

(b) Section 202(e)(6) of such Act is amended—

(1) by striking out "six" and inserting in lieu thereof "five",

(2) by striking out "eighteenth" and inserting in lieu thereof "seventeenth", and

(3) by striking out "sixth" and inserting in lieu thereof "fifth".

(c) Section 202(f)(7) of such Act is amended—

(1) by striking out "six" and inserting in lieu thereof "five",

(2) by striking out "eighteenth" and inserting in lieu thereof "seventeenth", and

(3) by striking out "sixth" and inserting in lieu thereof "fifth".

(d) Section 216(i)(2)(A) of such Act is amended by striking out "6" and inserting in lieu thereof "five".

(e) The amendments made by this section shall be effective with respect to applications for disability insurance benefits under section 223 of the Social Security Act, applications for widow's and widower's insurance benefits based on disability under section 202 of such Act, and applications for disability determinations under section 216(i) of such Act, filed—

(1) in or after the month in which this Act is enacted, or

(2) before the month in which this Act is enacted if—

(A) notice of the final decision of the Secretary of Health, Education, and Welfare has not been given to the applicant before such month, or

(B) the notice referred to in subparagraph (A) has been so given before such month but a civil action with respect to such final decision is commenced under section 205(g) of the Social Security Act (whether before, in, or after such month) and the decision in such civil action has not become final before such month;

except that no monthly benefits under title II of the Social Security Act shall be payable or increased by reason of the amendments made by this section for any month before January 1972.

ELIMINATION OF DISABILITY INSURED-STATUS REQUIREMENT OF SUBSTANTIAL RECENT COVERED WORK IN CASE OF INDIVIDUALS WHO ARE BLIND

SEC. 123. (a) The first sentence of section 216(i)(3) of the Social Security Act is amended by striking out all that follows subparagraph (B) and inserting in lieu thereof the following:

"except that the provisions of subparagraph (B) of this paragraph shall not apply in the case of an individual who is blind (within the meaning of 'blindness' as defined in paragraph (1))."

(b) Section 223(c)(1) of such Act is amended by striking out "coverage." in subparagraph (B)(ii) and inserting in lieu thereof "coverage;", and by striking out "For purposes" and inserting in lieu thereof the following:

"except that the provisions of subparagraph (B) of this paragraph shall not apply in the case of an individual who is blind (within the meaning of 'blindness' as defined in section 216(i)(1)). For purposes".

(c) The amendments made by this section shall be effective with respect to applications for disability insurance benefits under section 223 of the Social Security Act, and for disability determinations under section 216(i) of such Act, filed—

(1) in or after the month in which this Act is enacted, or

(2) before the month in which this Act is enacted if—

(A) notice of the final decision of the Secretary of Health, Education, and Welfare has not been given to the applicant before such month; or

(B) the notice referred to in subparagraph

(A) has been so given before such month but a civil action with respect to such final decision is commenced under section 205(g) of the Social Security Act (whether before, in, or after such month) and the decision in such civil action has not become final before such month;

except that no monthly benefits under title II of the Social Security Act shall be payable or increased by reason of the amendments made by this section for months before January 1972.

APPLICATIONS FOR DISABILITY INSURANCE BENEFITS FILED AFTER DEATH OF INSURED INDIVIDUAL

SEC. 124. (a) (1) Section 223(a)(1) of the Social Security Act is amended by adding at the end thereof the following new sentence: "In the case of a deceased individual, the requirement of subparagraph (C) may be satisfied by an application for benefits filed with respect to such individual within 3 months after the month in which he died."

(2) Section 223(a)(2) of such Act is amended by striking out "he filed his application for disability insurance benefits and was" and inserting in lieu thereof "the application for disability insurance benefits was filed and he was".

(3) The third sentence of section 223(b) of such Act is amended by striking out "if he files such application" and inserting in lieu thereof "if such application is filed".

(4) Section 223 (c) (2) (A) of such Act is amended by striking out "who files such application" and inserting in lieu thereof "with respect to whom such application is filed".

(b) Section 216 (i) (2) (B) of such Act is amended by adding at the end thereof the following new sentence: "In the case of a deceased individual, the requirement of an application under the preceding sentence may be satisfied by an application for a disability determination filed with respect to such individual within 3 months after the month in which he died."

(c) The amendments made by this section shall apply in the case of deaths occurring after December 31, 1969. For purposes of such amendments (and for purposes of sections 202 (j) (1) and 223 (b) of the Social Security Act), any application with respect to an individual whose death occurred after December 31, 1969, but before the date of the enactment of this Act which is filed within 3 months in or after the month in which this Act is enacted shall be deemed to have been filed in the month in which such death occurred.

WORKMEN'S COMPENSATION OFFSET FOR DISABILITY INSURANCE BENEFICIARIES

SEC. 125. (a) The next to last sentence of section 224 (a) of the Social Security Act is amended—

(1) by striking out "larger" and inserting in lieu thereof "largest",

(2) by striking out "or" before "(B)", and

(3) by inserting before the period at the end thereof the following: ", or (C) one-twelfth of the total of his wages and self-employment income (computed without regard to the limitations specified in sections 209(a) and 211(b)(1)) for the calendar year in which he had the highest such wages and income during the period consisting of the calendar year in which he became disabled (as defined in section 223(d)) and the five years preceding that year".

(b) The last sentence of section 224(a) of such Act is amended by striking out "clause (B)" and inserting in lieu thereof "clauses (B) and (C)".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1971.

WAGE CREDITS FOR MEMBERS OF THE UNIFORMED SERVICES

SEC. 126. (a) Subsection 229(a) of the Social Security Act is amended—

(1) by striking out "after December 1967" and inserting in lieu thereof "after December 1971";

(2) by striking out "after 1967" and inserting in lieu thereof "after 1956"; and

(3) by striking out all that follows "(in addition to the wages actually paid to him for such service)" and inserting in lieu thereof "of $300."

(b) The amendments made by subsection (a) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1971 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1971 except that, in the case of any individual who is entitled, on the basis of the wages and self-employment income of any individual to whom section 229 of such Act applies, to monthly benefits under title II of such Act for the month in which this Act is enacted, such amendments shall apply (1) only if a written request for a recalculation of such benefits (by reason of such amendments) under the provisions of section 215 (b) and (d) of such Act, as in effect at the time such request is filed, is filed by such individual, or any other individual, entitled to benefits under such title II on the basis of such wages and self-employment income, and (2) only with respect to such benefits for months beginning with whichever of the following is later: January 1972 or the twelfth month before the month in which such request was filed. Recalculations of benefits as required to carry

out the provisions of this paragraph shall be made notwithstanding the provisions of section 215 (f) (1) of the Social Security Act, and no such recalculation shall be regarded as a recomputation for purposes of section 215 (f) of such Act.

OPTIONAL DETERMINATION OF SELF-EMPLOYMENT EARNINGS

SEC. 127. (a) (1) Section 211 (a) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"The preceding sentence and clauses (i) through (iv) of the second preceding sentence shall also apply in the case of any trade or business (other than a trade or business specified in such second preceding sentence) which is carried on by an individual who is self-employed on a regular basis as defined in subsection (g), or by a partnership of which an individual is a member on a regular basis as defined in subsection (g), but only if such individual's net earnings from self-employment in the taxable year (not counting any net earnings derived from a trade or business specified in such second preceding sentence) as determined without regard to this sentence are less than $1,600 and less than 66⅔ percent of the sum (in such taxable year) of such individual's gross income derived from all the trades or businesses carried on by him to which this sentence refers and

his distributive share of the income or loss from such trades or businesses carried on by all the partnerships of which he is a member; except that this sentence shall not apply to more than 5 taxable years in the case of any individual, and in no case in which an individual elects to determine the amount of his net earnings from self-employment for a taxable year under the provisions of the two preceding sentences with respect to a trade or business to which the second preceding sentence applies and with respect to a trade or business to which this sentence applies shall such net earnings for such year exceed $1,600."

(2) Section 211 of such Act is amended by adding at the end thereof the following new subsection:

"Regular Basis

"(g) An individual shall be deemed to be self-employed on a regular basis in a taxable year, or to be a member of a partnership on a regular basis in such year, if he had net earnings from self-employment, as defined in the first sentence of subsection (a), of not less than $400 in at least two of the three consecutive taxable years immediately preceding such taxable year from trades or businesses carried on by such individual or such partnership."

(b) (1) Section 1402 (a) of the Internal Revenue Code of 1954 (relating to definition of net earnings from self-

employment) is amended by adding at the end thereof the following new paragraph:

"The preceding sentence and clauses (i) through (iv) of the second preceding sentence shall also apply in the case of any trade or business (other than a trade or business specified in such second preceding sentence) which is carried on by an individual who is self-employed on a regular basis as defined in subsection (i), or by a partnership of which an individual is a member on a regular basis as defined in subsection (i), but only if such individual's net earnings from self-employment (excluding any net earnings derived from a trade or business specified in such second preceding sentence) as determined without regard to this sentence in the taxable year are less than $1,600 and less than 66⅔ percent of the sum (in such taxable year) of such individual's gross income derived from all the trades or businesses carried on by him to which this sentence refers and his distributive share of the income or loss from such trades or businesses carried on by all the partnerships of which he is a member; except that this sentence shall not apply to more than 5 taxable years in the case of any individual, and in no case in which an individual elects to determine the amount of his net earnings from self-employment for a taxable year under the provisions of the two preceding sentences with respect to a trade or business to which the second preceding sentence applies

and with respect to a trade or business to which this sentence applies shall such net earnings for such year exceed $1,600."

(2) Section 1402 of such Code (definitions relating to Self-Employment Contributions Act of 1954) is amended by adding at the end thereof the following new subsection:

"Regular Basis

"(i) An individual shall be deemed to be self-employed on a regular basis in a taxable year, or to be a member of a partnership on a regular basis in such year, if he had net earnings from self-employment, as defined in the first sentence of subsection (a), of not less than $400 in at least two of the three consecutive taxable years immediately preceding such taxable year from trades or businesses carried on by such individual or such partnership."

(c) The amendments made by this section shall apply only with respect to taxable years beginning after December 31, 1971.

PAYMENTS BY EMPLOYER TO SURVIVOR OR ESTATE OF FORMER EMPLOYEE

SEC. 128. (a) Section 209 of the Social Security Act is amended by striking out "or" at the end of subsection (l), by striking out the period at the end of subsection (m) and inserting in lieu thereof "; or", and by inserting after subsection (m) the following new subsection:

"(n) Any payment made by an employer to a survivor

or the estate of a former employee after the calendar year in which such employee died."

(b) Section 3121 (a) of the Internal Revenue Code of 1954 (relating to definition of wages) is amended by striking out "or" at the end of paragraph (12), by striking out the period at the end of paragraph (13) and inserting in lieu thereof "; or", and by inserting after paragraph (13) the following new paragraph:

"(14) any payment made by an employer to a survivor or the estate of a former employee after the calendar year in which such employee died."

(c) The amendments made by this section shall apply in the case of any payment made after December 1971.

COVERAGE FOR VOW-OF-POVERTY MEMBERS OF RELIGIOUS ORDERS

SEC. 129. (a) (1) Section 210 (a) (8) (A) of the Social Security Act is amended by inserting before the semicolon at the end thereof the following: ", except that this subparagraph shall not apply to service performed by a member of such an order in the exercise of such duties, if an election of coverage under section 3121 (r) of the Internal Revenue Code of 1954 is in effect with respect to such order, or with respect to the autonomous subdivision thereof to which such member belongs".

(2) Section 3121 (b) (8) (A) of the Internal Revenue

Code of 1954 (relating to definition of employment) is amended by inserting before the semicolon at the end thereof the following: ", except that this subparagraph shall not apply to service performed by a member of such an order in the exercise of such duties, if an election of coverage under subsection (r) is in effect with respect to such order, or with respect to the autonomous subdivision thereof to which such member belongs".

(b) Section 3121 of such Code (definitions relating to Federal Insurance Contributions Act) is amended by adding at the end thereof the following new subsection:

"(r) ELECTION OF COVERAGE BY RELIGIOUS ORDERS.—

"(1) CERTIFICATE OF ELECTION BY ORDER.—A religious order whose members are required to take a vow of poverty, or any autonomous subdivision of such order, may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations under this chapter) electing to have the insurance system established by title II of the Social Security Act extended to services performed by its members in the exercise of duties required by such order or such subdivision thereof. Such certificate of election shall provide that—

"(A) such election of coverage by such order or subdivision shall be irrevocable;

"(B) such election shall apply to all current and future members of such order, or in the case of a subdivision thereof to all current and future members of such order who belong to such subdivision;

"(C) all services performed by a member of such an order or subdivision in the exercise of duties required by such order or subdivision shall be deemed to have been performed by such member as an employee of such order or subdivision; and

"(D) the wages of each member, upon which such order or subdivision shall pay the taxes imposed by sections 3101 and 3111, will be determined as provided in subsection (i) (4).

"(2) DEFINITION OF MEMBER.—For purposes of this subsection, a member of a religious order means any individual who is subject to a vow of poverty as a member of such order and who performs tasks usually required (and to the extent usually required) of an active member of such order and who is not considered retired because of old age or total disability.

"(3) EFFECTIVE DATE FOR ELECTION.—(A) A certificate of election of coverage shall be in effect, for purposes of subsection (b) (8) (A) and for purposes of

section 210 (a) (8) (A) of the Social Security Act, for the period beginning with whichever of the following may be designated by the order or subdivision thereof:

"(i) the first day of the calendar quarter in which the certificate is filed,

"(ii) the first day of the calendar quarter succeeding such quarter, or

"(iii) the first day of any calendar quarter preceding the calendar quarter in which the certificate is filed, except that such date may not be earlier than the first day of the twentieth calendar quarter preceding the quarter in which such certificate is filed.

Whenever a date is designated under clause (iii), the election shall apply to services performed before the quarter in which the certificate is filed only if the member performing such services was a member at the time such services were performed and is living on the first day of the quarter in which such certificate is filed.

"(B) If a certificate of election filed pursuant to this subsection is effective for one or more calendar quarters prior to the quarter in which such certificate is filed, then—

"(i) for purposes of computing interest and for purposes of section 6651 (relating to addition to tax for failure to file tax return), the due date for the re-

turn and payment of the tax for such prior calendar quarters resulting from the filing of such certificate shall be the last day of the calendar month following the calendar quarter in which the certificate is filed; and

"(ii) the statutory period for the assessment of such tax shall not expire before the expiration of 3 years from such due date.

"(4) COORDINATION WITH COVERAGE OF LAY EMPLOYEES.—Notwithstanding the preceding provisions of this subsection, no certificate of election shall become effective with respect to an order or subdivision thereof, unless—

"(A) if at the time the certificate of election is filed a certificate of waiver of exemption under subsection (k) is in effect with respect to such order or subdivision, such order or subdivision amends such certificate of waiver of exemption (in such form and manner as may be prescribed by regulations made under this chapter) to provide that it may not be revoked, or

"(B) if at the time the certificate of election is filed a certificate of waiver of exemption under such subsection is not in effect with respect to such order or subdivision, such order or subdivision files such

certificate of waiver of exemption under the provisions of such subsection except that such certificate of waiver of exemption cannot become effective at a later date than the certificate of election and such certificate of waiver of exemption must specify that such certificate of waiver of exemption may not be revoked. The certificate of waiver of exemption required under this subparagraph shall be filed notwithstanding the provisions of subsection (k) (3)."

(c) (1) Section 209 of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"For purposes of this title, in any case where an individual is a member of a religious order (as defined in section 3121 (r) (2) of the Internal Revenue Code of 1954) performing service in the exercise of duties required by such order, and an election of coverage under section 3121 (r) of such Code is in effect with respect to such order or with respect to the autonomous subdivision thereof to which such member belongs, the term 'wages' shall, subject to the provisions of subsection (a) of this section, include as such individual's remuneration for such service the fair market value of any board, lodging, clothing, and other perquisites furnished to such member by such order or subdivision thereof or by any other person or organization pursuant to an agree-

ment with such order or subdivision, except that the amount included as such individual's remuneration under this paragraph shall not be less than $100 a month."

(2) Section 3121 (i) of the Internal Revenue Code of 1954 (relating to computation of wages in certain cases) is amended by adding at the end thereof the following new paragraph:

"(4) SERVICE PERFORMED BY CERTAIN MEMBERS OF RELIGIOUS ORDERS.—For purposes of this chapter, in any case where an individual is a member of a religious order (as defined in subsection (r) (2)) performing service in the exercise of duties required by such order, and an election of coverage under subsection (r) is in effect with respect to such order or with respect to the autonomous subdivision thereof to which such member belongs, the term 'wages' shall, subject to the provisions of subsection (a) (1), include as such individual's remuneration for such service the fair market value of any board, lodging, clothing, and other perquisites furnished to such member by such order or subdivision thereof or by any other person or organization pursuant to an agreement with such order or subdivision, except that the amount included as such individual's remuneration under this paragraph shall not be less than $100 a month."

SELF-EMPLOYMENT INCOME OF CERTAIN INDIVIDUALS TEMPORARILY LIVING OUTSIDE THE UNITED STATES

SEC. 130. (a) Section 211 (a) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (8);

(2) by striking out the period at the end of paragraph (9) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (9) the following new paragraph:

"(10) In the case of an individual who has been a resident of the United States during the entire taxable year, the exclusion from gross income provided by section 911 (a) (2) of the Internal Revenue Code of 1954 shall not apply."

(b) Section 1402 (a) of the Internal Revenue Code of 1954 (relating to definition of net earnings from self-employment) is amended—

(1) by striking out "and" at the end of paragraph (9);

(2) by striking out the period at the end of paragraph (10) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (10) the following new paragraph:

"(11) in the case of an individual who has been

a resident of the United States during the entire taxable year, the exclusion from gross income provided by section 911 (a) (2) shall not apply."

(c) The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1971.

COVERAGE OF FEDERAL HOME LOAN BANK EMPLOYEES

SEC. 131. (a) The provisions of section 210 (a) (6) (B) (ii) of the Social Security Act and section 3121 (b) (6) (B) (ii) of the Internal Revenue Code of 1954, insofar as they relate to service performed in the employ of a Federal home loan bank, shall be effective—

(1) with respect to all service performed in the employ of a Federal home loan bank on and after the first day of the first calendar quarter which begins on or after the date of the enactment of this Act; and

(2) in the case of individuals who are in the employ of a Federal home loan bank on such first day, with respect to any service performed in the employ of a Federal home loan bank after the last day of the sixth calendar year preceding the year in which this Act is enacted; but this paragraph shall be effective only if an amount equal to the taxes imposed by sections 3101 and 3111 of such Code with respect to the services of all such individuals performed in the employ of Federal home

loan banks after the last day of the sixth calendar year preceding the year in which this Act is enacted are paid under the provisions of section 3122 of such Code by July 1, 1972, or by such later date as may be provided in an agreement entered into before such date with the Secretary of the Treasury or his delegate for purposes of this paragraph.

(b) Subparagraphs (A) (i) and (B) of section 104 (i) (2) of the Social Security Amendments of 1956 are repealed.

POLICEMEN AND FIREMEN IN IDAHO

SEC. 132. Section 218 (p) (1) of the Social Security Act is amended by inserting "Idaho," after "Hawaii,".

COVERAGE OF CERTAIN HOSPITAL EMPLOYEES IN NEW MEXICO

SEC. 133. Notwithstanding any provisions of section 218 of the Social Security Act, the Agreement with the State of New Mexico heretofore entered into pursuant to such section may at the option of such State be modified at any time prior to the first day of the fourth month after the month in which this Act is enacted, so as to apply to the services of employees of a hospital which is an integral part of a political subdivision to which an agreement under this section has not been made applicable, as a separate coverage group within the meaning of section 218 (b) (5) of such Act, but only if

such hospital has prior to 1966 withdrawn from a retirement system which had been applicable to the employees of such hospital.

COVERAGE OF CERTAIN EMPLOYEES OF THE GOVERNMENT OF GUAM

SEC. 134. (a) Section 210(a)(7) of the Social Security Act is amended by striking out "or" at the end of subparagraph (C), by striking out the semicolon at the end of subparagraph (D) and inserting in lieu thereof ", or", and by adding at the end thereof the following new subparagraph:

"(E) service performed in the employ of the Government of Guam (or any instrumentality which is wholly owned by such Government) by an employee properly classified as a temporary or intermittent employee, if such service is not covered by a retirement system established by a law of Guam; except that (i) the provisions of this subparagraph shall not be applicable to services performed by an elected official or a member of the legislature or in a hospital or penal institution by a patient or inmate thereof, and (ii) for purposes of this subparagraph, clauses (i) and (ii) of subparagraph (C) shall apply;".

(b) Section 3121(b)(7) of the Internal Revenue Code of 1954 is amended by striking out "or" at the end of subparagraph (B), by striking out the semicolon at the

end of subparagraph (C) and inserting in lieu thereof ", or", and by adding at the end thereof the following new subparagraph:

"(D) service performed in the employ of the Government of Guam (or any instrumentality which is wholly owned by such Government) by an employee properly classified as a temporary or intermittent employee, if such service is not covered by a retirement system established by a law of Guam; except that (i) the provisions of this subparagraph shall not be applicable to services performed by an elected official or a member of the legislature or in a hospital or penal institution by a patient or inmate thereof, and (ii) for purposes of this subparagraph, clauses (i) and (ii) of subparagraph (B) shall apply;".

(c) The amendments made by this section shall apply with respect to service performed on and after the first day of the first calendar quarter which begins on or after the date of the enactment of this Act.

COVERAGE EXCLUSION OF STUDENTS EMPLOYED BY NONPROFIT ORGANIZATIONS AUXILIARY TO SCHOOLS, COLLEGES, AND UNIVERSITIES

SEC. 135. (a) (1) Section 210 (a) (10) (B) of the Social Security Act is amended to read as follows:

"(B) service performed in the employ of—

"(i) a school, college, or university, or

"(ii) an organization described in section 509 (a) (3) of the Internal Revenue Code of 1954 if the organization is organized, and at all times thereafter is operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of a school, college, or university and is operated, supervised, or controlled by or in connection with such school, college, or university, unless it is a school, college, or university of a State or a political subdivision thereof and the services in its employ performed by a student referred to in section 218 (c) (5) are covered under the agreement between the Secretary of Health, Education, and Welfare and such State entered into pursuant to section 218;

if such service is performed by a student who is enrolled and regularly attending classes at such school, college, or university;".

(2) Section 3121 (b) (10) (B) of the Internal Revenue Code of 1954 is amended to read as follows:

"(B) service performed in the employ of—

"(i) a school, college, or university, or

"(ii) an organization described in section 509

(a) (3) if the organization is organized, and at all times thereafter is operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of a school, college, or university and is operated, supervised, or controlled by or in connection with such school, college, or university, unless it is a school, college, or university of a State or a political subdivision thereof and the services performed in its employ by a student referred to in section 218(c)(5) of the Social Security Act are covered under the agreement between the Secretary of Health, Education, and Welfare and such State entered into pursuant to section 218 of such Act; if such service is performed by a student who is enrolled and regularly attending classes at such school, college, or university;".

(b) The amendments made by subsection (a) shall apply to services performed after December 31, 1971.

PENALTY FOR FURNISHING FALSE INFORMATION TO OBTAIN SOCIAL SECURITY ACCOUNT NUMBER

SEC. 136. (a) Section 208 of the Social Security Act is amended by adding "or" after the semicolon at the end of subsection (e), and by inserting after subsection (e) the following new subsection:

"(f) willfully, knowingly, and with intent to deceive

the Secretary as to his true identity (or the true identity of any other person) furnishes or causes to be furnished false information to the Secretary with respect to any information required by the Secretary in connection with the establishment and maintenance of the records provided for in section 205(c)(2);".

(b) The amendments made by subsection (a) shall apply with respect to information furnished to the Secretary after the date of the enactment of this Act.

GUARANTEE OF NO DECREASE IN TOTAL FAMILY BENEFITS

SEC. 137. (a) Section 203(a) of the Social Security Act (as amended by sections 101(b), 102(a)(2), 103(b), and 110(d) of this Act) is further amended by striking out "or" at the end of paragraph (4), by striking out the period at the end of paragraph (5) and inserting in lieu thereof ", or", and by inserting after paragraph (5) the following new paragraph:

"(6) notwithstanding any other provision of law, when—

"(A) two or more persons are entitled to monthly benefits for a particular month on the basis of the wages and self-employment income of an insured individual and (for such particular month) the provisions of this subsection and section 202(q) are applicable to such monthly benefits, and

"(B) such individual's primary insurance amount is increased for the following month under any provision of this title,

then the total of monthly benefits for all persons on the basis of such wages and self-employment income for such particular month, as determined under the provisions of this subsection, shall for purposes of determining the total of monthly benefits for all persons on the basis of such wages and self-employment income for months subsequent to such particular month be considered to have been increased by the smallest amount that would have been required in order to assure that the total of monthly benefits payable on the basis of such wages and self-employment income for any such subsequent month will not be less (after application of the other provisions of this subsection and section 202 (q)) than the total of monthly benefits (after the application of the other provisions of this subsection and section 202 (q)) payable on the basis of such wages and self-employment income for such particular month."

(b) In any case in which the provisions of section 1002 (b) (2) of the Social Security Amendments of 1969 were applicable with respect to benefits for any month in 1970, the total of monthly benefits as determined under section 203 (a) of the Social Security Act shall, for months after

1970, be increased to the amount that would be required in order to assure that the total of such monthly benefits (after the application of section 202 (q) of such Act) will not be less than the total of monthly benefits that was applicable (after the application of such sections 203 (a) and 202 (q)) for the first month for which the provisions of such section 1002 (b) (2) applied.

INCREASE OF AMOUNTS IN TRUST FUNDS AVAILABLE TO PAY COSTS OF REHABILITATION SERVICES

SEC. 138. The first sentence of section 222 (d) (1) of the Social Security Act (as amended by section 113 (b) (4) of this Act) is further amended by striking out "except that the total amount so made available pursuant to this subsection in any fiscal year may not exceed 1 percent of the total of the benefits under section 202 (d) for children who have attained age 18 and are under a disability" and inserting in lieu thereof the following: "except that the total amount so made available pursuant to this subsection may not exceed—

"(i) 1 percent in the fiscal year ending June 30, 1971,

"(ii) 1.25 percent in the fiscal year ending June 30, 1972,

"(iii) 1.5 percent in the fiscal year ending June 30, 1973, and thereafter,

of the total of the benefits under section 202 (d) for children who have attained age 18 and are under a disability".

ACCEPTANCE OF MONEY GIFTS MADE UNCONDITIONALLY TO SOCIAL SECURITY

SEC. 139. (a) The second sentence of section 201 (a) of the Social Security Act is amended by inserting after "in addition," the following: "such gifts and bequests as may be made as provided in subsection (i) (1), and".

(b) The second sentence of section 201 (b) of such Act is amended by inserting after "consist of" the following: "such gifts and bequest as may be made as provided in subsection (i) (1), and".

(c) Section 201 of such Act is further amended by adding after subsection (h) the following new subsection:

"(i) (1) The Managing Trustee of the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, and the Federal Supplementary Medical Insurance Trust Fund is authorized to accept on behalf of the United States money gifts and bequests made unconditionally to any one or more of such Trust Funds or to the Department of Health, Education, and Welfare, or any part or officer thereof, for the benefit of any of such Funds or any activity financed through such Funds.

"(2) Any such gift accepted pursuant to the authority granted in paragraph (1) of this subsection shall be deposited in—

"(A) the specific trust fund designated by the donor or

"(B) if the donor has not so designated, the Federal Old-Age and Survivors Insurance Trust Fund."

(d) The second sentence of section 1817(a) of such Act is amended by inserting after "consist of" and before "such amounts" the following: "such gifts and bequests as may be made as provided in section 201(i)(1), and".

(e) The second sentence of section 1841(a) of such Act is amended by inserting after "consist of" and before "such amounts" the following: "such gifts and bequests as may be made as provided in section 201(i)(1), and".

(f) The amendments made by this section shall apply with respect to gifts and bequests received after the date of enactment of this Act.

(g) For the purpose of Federal income, estate, and gift taxes, any gift or bequest to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, or the Federal Supplementary Medical Insurance Trust Fund, or to the Department of Health, Education, and Welfare, or any part or officer thereof, for the benefit of any

of such Funds or any activity financed through any of such Funds, which is accepted by the Managing Trustee of such Trust Funds under the authority of section 201 (i) of the Social Security Act, shall be considered as a gift or bequest to or for the use of the United States and as made for exclusively public purposes.

PAYMENT IN CERTAIN CASES OF DISABILITY INSURANCE BENEFITS WITH RESPECT TO CERTAIN PERIODS OF DISABILITY

SEC. 140. (a) If an individual would (upon the timely filing of an application for a disability determination under section 216 (i) of the Social Security Act and of an application for disability insurance benefits under section 223 of such Act) have been entitled to disability insurance benefits under such section 223 for a period which began after 1959 and ended prior to 1964, such individual shall, upon filing application for disability insurance benefits under such section 223 with respect to such period not later than 6 months after the date of enactment of this section, be entitled, notwithstanding any other provision of title II of the Social Security Act, to receive in a lump sum, as disability insurance benefits payable under section 223, an amount equal to the total amounts of disability insurance benefits which would have been payable to him for such period if he had timely filed such an application for a disability determination and

such an application for disability insurance benefits with respect to such period; but only if—

(1) prior to the date of enactment of this section and after the date of enactment of the Social Security Amendments of 1967, such period was determined (under section 216 (i) of the Social Security Act) to be a period of disability as to such individual; and

(2) the application giving rise to the determination (under such section 216 (i)) that such period is a period of disability as to such individual would not have been accepted as an application for such a determination except for the provisions of section 216 (i) (2) (F).

(b) No payment shall be made to any individual by reason of the provisions of subsection (a) except upon the basis of an application filed after the date of enactment of this section.

RECOMPUTATION OF BENEFITS BASED ON COMBINED RAILROAD AND SOCIAL SECURITY EARNINGS

SEC. 141. (a) Section 215 (f) of the Social Security Act is amended—

(1) by striking out subparagraph (B) of paragraph (2) and inserting in lieu thereof the following:

"(B) in the case of an individual who died in such year, for monthly benefits beginning with benefits for the month in which he died."; and

(2) by adding at the end the following new paragraph:

"(6) Upon the death after 1967 of an individual entitled to benefits under section 202(a) or section 223, if any person is entitled to monthly benefits or a lump-sum death payment, on the wages and self-employment income of such individual, the Secretary shall recompute the decedent's primary insurance amount, but only if the decedent during his lifetime was paid compensation which was treated under section 205(o) as remuneration for employment."

(b) Section 215(d)(2) of such Act is amended by inserting "or (6)" before the period at the end thereof.

CHANGES IN TAX SCHEDULES

SEC. 142. (a)(1) Section 1401(a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of old-age, survivors, and disability insurance) is amended—

(A) by striking out "and before January 1, 1973" in paragraph (3) and inserting in lieu thereof "and before January 1, 1972";

(B) by striking out "and" at the end of paragraph (3); and

(C) by striking out paragraph (4) and inserting in lieu thereof the following:

"(4) in the case of any taxable year beginning after

December 31, 1971, and before January 1, 1975, the tax shall be equal to 6.3 percent of the amount of the self-employment income for such taxable year; and

"(5) in the case of any taxable year beginning after December 31, 1974, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101 (a) of such Code (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended—

(A) by striking out "the calendar years 1971 and 1972" in paragraph (3) and inserting in lieu thereof "the calendar year 1971"; and

(B) by striking out paragraphs (4) and (5) and inserting in lieu thereof the following:

"(4) with respect to wages received during the calendar years 1972, 1973, and 1974, the rate shall be 4.2 percent;

"(5) with respect to wages received during the calendar years 1975 and 1976, the rate shall be 5.0 percent; and

"(6) with respect to wages received after December 31, 1976, the rate shall be 6.1 percent."

(3) Section 3111 (a) of such Code (relating to rate of

tax on employers for purposes of old-age, survivors, and disability insurance) is amended—

(A) by striking out "the calendar years 1971 and 1972" in paragraph (3) and inserting in lieu thereof "the calendar year 1971"; and

(B) by striking out paragraphs (4) and (5) and inserting in lieu thereof the following:

"(4) with respect to wages paid during the calendar years 1972, 1973, and 1974, the rate shall be 4.2 percent;

"(5) with respect to wages paid during the calendar years 1975 and 1976, the rate shall be 5.0 percent; and

"(6) with respect to wages paid after December 31, 1976, the rate shall be 6.1 percent."

(b) (1) Section 1401 (b) of such Code (relating to rate of tax on self-employment income for purposes of hospital insurance) is amended—

(A) by striking out "and before January 1, 1973" in paragraph (1) and inserting in lieu thereof "and before January 1, 1972"; and

(B) by striking out paragraphs (2) through (5) and inserting in lieu thereof the following:

"(2) in the case of any taxable year beginning after December 31, 1971, and before January 1, 1977, the

tax shall be equal to 1.2 percent of the amount of the self-employment income for such taxable year; and

"(3) in the case of any taxable year beginning after December 31, 1976, the tax shall be equal to 1.3 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101 (b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended—

(A) by striking out "1971, and 1972" in paragraph (1) and inserting in lieu thereof "and 1971"; and

(B) by striking out paragraphs (2) through (5) and inserting in lieu thereof the following:

"(2) with respect to wages received during the calendar years 1972, 1973, 1974, 1975, and 1976, the rate shall be 1.2 percent; and

"(3) with respect to wages received after December 31, 1976, the rate shall be 1.3 percent."

(3) Section 3111 (b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended—

(A) by striking out "1971, and 1972" in paragraph (1) and inserting in lieu thereof "and 1971"; and

(B) by striking out paragraphs (2) through (5) and inserting in lieu thereof the following:

"(2) with respect to wages paid during the calendar years 1972, 1973, 1974, 1975, and 1976, the rate shall be 1.2 percent; and

"(3) with respect to wages paid after December 31, 1976, the rate shall be 1.3 percent."

(c) The amendments made by subsections (a) (1) and (b) (1) shall apply only with respect to taxable years beginning after December 31, 1971. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1971.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

SEC. 143. (a) Section 201 (b) (1) of the Social Security Act is amended—

(1) by striking out "and (D)" and inserting in lieu thereof "(D)", and

(2) by striking out "1969, and so reported" and inserting in lieu thereof "1969, and before January 1, 1972, and so reported, (E) 0.90 of 1 per centum of the wages (as so defined) paid after December 31, 1971, and before January 1, 1975, and so reported, (F) 1.05 per centum of the wages (as so defined) paid after December 31, 1974, and before January 1, 1977, and so reported, and (G) 1.25 per centum of the wages (as

so defined) paid after December 31, 1976, and so reported,".

(b) Section 201 (b) (2) of such Act is amended—

(1) by striking out "and (D)" and inserting in lieu thereof "(D)", and

(2) by striking out "beginning after December 31, 1969," and inserting in lieu thereof "beginning after December 31, 1969, and before January 1, 1972, (E) 0.675 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1971, and before January 1, 1975, and (F) 0.735 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1974,".

TITLE II—PROVISIONS RELATING TO MEDICARE, MEDICAID, AND MATERNAL AND CHILD HEALTH

PART A—ELIGIBILITY AND PAYMENT FOR BENEFITS

COVERAGE FOR DISABILITY BENEFICIARIES UNDER MEDICARE

SEC. 201. (a) (1) (A) The heading of title XVIII of the Social Security Act is amended to read as follows:

"TITLE XVIII—HEALTH INSURANCE FOR THE AGED AND DISABLED".

(B) The heading of part A of such title is amended to read as follows:

"PART A—HOSPITAL INSURANCE BENEFITS FOR THE AGED AND DISABLED".

(C) The heading of part B of such title is amended to read as follows:

"PART B—SUPPLEMENTARY MEDICAL INSURANCE BENEFITS FOR THE AGED AND DISABLED".

(2) The text of section 1811 of such Act is amended to read as follows:

"SEC. 1811. The insurance program for which entitlement is established by section 226 provides basic protection against the costs of hospital and related posthospital services in accordance with this part for (1) individuals who are age 65 or over and are entitled to retirement benefits under title II of this Act or under the railroad retirement system and (2) individuals under age 65 who have been entitled for not less than 24 months to benefits under title II of this Act or under the railroad retirement system on the basis of a disability."

(3) Section 1831 of such Act is amended—

(A) by inserting "AND THE DISABLED" after "AGED" in the heading, and

(B) by striking out "individuals 65 years of age or over" and inserting in lieu thereof "aged and disabled individuals".

(b) (1) Section 226 (a) of such Act is amended to read as follows:

"(a) (1) Every individual who—

"(A) has attained age 65, and

"(B) is entitled to monthly insurance benefits under section 202 or is a qualified railroad retirement beneficiary,

shall be entitled to hospital insurance benefits under part A of title XVIII for each month for which he meets the condition specified in subparagraph (B), beginning with the first month after June 1966 for which he meets the conditions specified in subparagraphs (A) and (B).

"(2) Every individual who—

"(A) has not attained age 65, but

"(B) (i) has been entitled to disability insurance benefits under section 223 for not less than 24 consecutive months, or (ii) has been entitled for not less than 24 consecutive months to child's insurance benefits under section 202 (d) by reason of a disability (as defined in section 223 (d)) which began before he at-

tained age 22, or (iii) has been entitled for not less than 24 consecutive months to widow's insurance benefits under section 202(e) or widower's insurance benefits under section 202(f) by reason of a disability (as defined in section 223(d)), or (iv) has been for not less than 24 consecutive months a disabled qualified railroad retirement beneficiary, within the meaning of section 22 of the Railroad Retirement Act of 1937, shall be entitled to hospital insurance benefits under part A of title XVIII for each month beginning with the later of (I) July 1972 or (II) the twenty-fifth consecutive month of his entitlement described in subparagraph (B), and ending with the month in which his entitlement described in subparagraph (B) ceases or, if earlier, with the month before the month in which he attains age 65."

(2) Section 226(b) of such Act is amended by striking out "occurred after June 30, 1966, or on or after the first day of the month in which he attains age 65, whichever is later" and inserting in lieu thereof "occurred (i) after June 30, 1966, or on or after the first day of the month in which he attains age 65, whichever is later, or (ii) if he was entitled to hospital insurance benefits pursuant to paragraph (2) of subsection (a), at a time when he was so entitled".

(3) Section 226(b)(2) of such Act is amended by

striking out "an individual shall be deemed entitled to monthly insurance benefits under section 202," and inserting in lieu thereof "an individual shall be deemed entitled to monthly insurance benefits under section 202 or section 223,".

(4) Section 226 (c) of such Act is amended by inserting "or section 22" after "section 21" wherever it appears.

(5) Section 226 of such Act is further amended by redesignating subsection (d) as subsection (e), and by inserting after subsection (c) the following new subsection:

"(d) (1) For purposes of determining entitlement to hospital insurance benefits under subsection (a) (2) in the case of widows and widowers described in subparagraph (B) (iii) thereof—

"(A) the term 'age 60' in sections 202 (e) (1) (B) (ii), 202 (e) (5), 202 (f) (1) (B) (ii), and 202 (f) (6) shall be deemed to read 'age 65'; and

"(B) the phrase 'before she attained age 60' in the matter following subparagraph (F) of section 202 (e) (1) shall be deemed to read 'based on a disability'.

"(2) For purposes of determining entitlement to hospital insurance benefits under subsection (a) (2) in the case of an individual under age 65 who is entitled to old-age insurance benefits, and who was entitled to widow's insurance benefits or widower's insurance benefits based on disability

for the month before the first month in which such individual was so entitled to old-age insurance benefits (but ceased to be entitled to such widow's or widower's insurance benefits upon becoming entitled to such old-age insurance benefits), such individual shall be deemed to have continued to be entitled to such widow's insurance benefits or widower's insurance benefits for and after such first month."

(c) (1) Section 1836 of such Act is amended to read as follows:

"ELIGIBLE INDIVIDUALS

"SEC. 1836. Every individual who—

"(1) is entitled to hospital insurance benefits under part A, or

"(2) has attained age 65 and is a resident of the United States, and is either (A) a citizen or (B) an alien lawfully admitted for permanent residence who has resided in the United States continuously during the 5 years immediately preceding the month in which he applies for enrollment under this part,

is eligible to enroll in the insurance program established by this part."

(2) (A) The first sentence of section 1837 (c) of such Act is amended by striking out "paragraphs (1) and (2)" and inserting in lieu thereof "paragraph (1) or (2)".

(B) The second sentence of section 1837 (c) of such

Act is amended to read as follows: "For purposes of this subsection and subsection (d), an individual who has attained age 65 and who satisfies paragraph (1) of section 1836 but not paragraph (2) of such section shall be treated as satisfying such paragraph (1) on the first day on which he is (or on filing application would have been) entitled to hospital insurance benefits under part A."

(C) The first sentence of 1837(d) of such Act is amended by striking out "paragraphs (1) and (2)" and inserting in lieu thereof "paragraph (1) or (2)".

(3) (A) Section 1838(a) of such Act is amended by striking out "July 1, 1966" in paragraph (1) and inserting in lieu thereof "July 1, 1966 or (in the case of a disabled individual who has not attained age 65) July 1, 1972".

(B) Section 1838(a) of such Act is further amended—

(i) by striking out "paragraphs (1) and (2)" in paragraph (2) (A) and inserting in lieu thereof "paragraph (1) or (2)"; and

(ii) by striking out "such paragraphs" in subparagraphs (B), (C), and (D) and inserting in lieu thereof "such paragraph".

(C) Section 1838 of such Act is further amended by redesignating subsection (c) as subsection (d), and by inserting after subsection (b) the following new subsection:

"(c) In the case of an individual satisfying paragraph

(1) of section 1836 whose entitlement to hospital insurance benefits under part A is based on a disability rather than on his having attained the age of 65, his coverage period (and his enrollment under this part) shall be terminated as of the close of the last month for which he is entitled to hospital insurance benefits."

(4) Section 1839 (c) of such Act is amended—

(A) by inserting "(in the same continuous period of eligibility)" after "for each full 12 months"; and

(B) by adding at the end thereof the following new sentence: "Any increase in an individual's monthly premium under the first sentence of this subsection with respect to a particular continuous period of eligibility shall not be applicable with respect to any other continuous period of eligibility which such individual may have."

(5) Section 1839 of such Act is further amended by adding at the end thereof the following new subsection:

"(e) For purposes of subsection (c) (and section 1837 (g) (1)), an individual's 'continuous period of eligibility' is the period beginning with the first day on which he is eligible to enroll under section 1836 and ending with his death; except that any period during all of which an individual satisfied paragraph (1) of section 1836 and which terminated in or before the month preceding the month in which he at-

tained age 65 shall be a separate 'continuous period of eligibility' with respect to such individual (and each such period which terminates shall be deemed not to have existed for purposes of subsequently applying this section)."

(6) (A) Section 1840 (a) (1) of such Act is amended by striking out "section 202" and inserting in lieu thereof "section 202 or 223".

(B) Section 1840 (a) (2) of such Act is amended by striking out "section 202" and inserting in lieu thereof "section 202 or 223".

(7) Section 1875 (a) of such Act is amended by striking out "aged" and inserting in lieu thereof "aged and the disabled".

(d) The Railroad Retirement Act of 1937 is amended by adding after section 21 the following new section:

"HOSPITAL INSURANCE BENEFITS FOR THE DISABLED

"SEC. 22. Individuals under age 65—

"(1) who have been entitled to annuities for not less than 24 consecutive months during each of which the first proviso of section 3 (e) could have applied on the basis of an application which has been filed under paragraph 4 or 5 of section 2 (a), and are currently entitled to such annuities, or who are entitled to annuities under paragraph 2 or 3 of section 2 (a) and could have been paid annuities for not less than 24 consecutive months

under section 223 of the Social Security Act if their service as employees were included in the term 'employment' as defined in that Act, or

"(2) who have been entitled to annuities under section 5(a) on the basis of disability, or could have been so entitled had they not been entitled on the basis of age or had they not been entitled under section 5(b) on the basis of having the custody of children, for not less than 24 consecutive months during each of which the first proviso of section 3(e) could have been applied on the basis of disability if an application for disability benefits had been filed, or

"(3) who have been entitled to annuities for not less than 24 consecutive months under section 5(c) on the basis of a disability (within the meaning of section 5(l)(1)(ii)) or who could have been includible as disabled children for not less than 24 consecutive months in the computation of an annuity under the first proviso in section 3(e) and could currently be includible in such a computation,

shall be certified by the Board in the same manner, for the same purposes, and subject to the same conditions, restrictions, and other provisions as individuals specifically described in section 21, and also subject to the same conditions, restrictions, and other provisions as are disability benefici-

aries under title II of the Social Security Act in connection with their eligibilty for hospital insurance benefits under part A of title XVIII of such Act and their eligibility to enroll under part B of such title XVIII; and for the purposes of this Act and title XVIII of the Social Security Act, individuals certified as provided in this section shall be considered individuals described in and certified under such section 21. Notwithstanding the other provisions of this section it shall not apply to any individual who could not be taken into account on the basis of disability in calculating the annuity under the first proviso of section 3 (e) without regard to the second paragraph of such section."

HOSPITAL INSURANCE BENEFITS FOR UNINSURED INDIVIDUALS NOT ELIGIBLE UNDER TRANSITIONAL PROVISION

SEC. 202. Title XVIII of the Social Security Act is amended by adding after section 1817 the following new section:

"HOSPITAL INSURANCE BENEFITS FOR UNINSURED INDIVIDUALS NOT OTHERWISE ELIGIBLE

"SEC. 1818. (a) Every individual who—

"(1) has attained the age of 65,

"(2) is a resident of the United States, and is either (A) a citizen or (B) an alien lawfully admitted for permanent residence who has resided in the United

States continuously during the 5 years immediately preceding the month in which he applies for enrollment under this section, and

"(3) is not otherwise entitled to benefits under this part,

shall be eligible to enroll in the insurance program established by this part.

"(b) An individual may enroll under this section only in such manner and form as may be prescribed in regulations, and only during an enrollment period prescribed in or under this section.

"(c) The provisions of section 1837, section 1838, subsection (c) of section 1839, and subsections (f) and (h) of section 1840 shall apply to persons authorized to enroll under this section except that—

"(1) individuals who meet the conditions of subsection (a) on or before the last day of the seventh month after the month in which this section is enacted may enroll during an initial general enrollment period which shall begin on the first day of the second month which begins after the date on which this section is enacted and shall end on the last day of the tenth month after the month in which this Act is enacted;

"(2) in the case of an individual who first meets the conditions of eligibility under this section on or

after the first day of the eighth month after the month in which this section is enacted, the initial enrollment period shall begin on the first day of the third month before the month in which he first becomes eligible and shall end 7 months later;

"(3) in the case of an individual who enrolls pursuant to paragraph (1) of this subsection, entitlement to benefits shall begin on—

"(A) the first day of the second month after the month in which he enrolls,

"(B) January 1, 1972, or

"(C) the first day of the first month in which he meets the requirements of subsection (a),

whichever is the latest;

"(4) termination of coverage under this section by the filing of notice that the individual no longer wishes to participate in the hospital insurance program shall take effect at the close of the month following the month in which such notice is filed; and

"(5) an individual's entitlement under this section shall terminate with the month before the first month in which he becomes eligible for hospital insurance benefits under section 226 of this Act or section 103 of the Social Security Amendments of 1965; and upon such termination, such individual shall be deemed, solely for purposes

of hospital insurance entitlement, to have filed in such first month the application required to establish such entitlement.

"(d) (1) The monthly premium of each individual for each month in his coverage period before July 1972 shall be $31.

"(2) The Secretary shall, during December of 1971 and of each year thereafter, determine and promulgate the dollar amount (whether or not such dollar amount was applicable for premiums for any prior month) which shall be applicable for premiums for months occurring in the 12-month period commencing July 1 of the next year. Such amount shall be equal to $31, multiplied by the ratio of (A) the inpatient hospital deductible for such next year, as promulgated under section 1813(b)(2), to (B) such deductible promulgated for 1971. Any amount determined under the preceding sentence which is not a multiple of $1 shall be rounded to the nearest multiple of $1.

"(e) Payment of the monthly premiums on behalf of any individual who meets the conditions of subsection (a) may be made by any public or private agency or organization under a contract or other arrangement entered into between it and the Secretary if the Secretary determines that payment of such premiums under such contract or arrangement is administratively feasible.

"(f) Amounts paid to the Secretary for coverage under this section shall be deposited in the Treasury to the credit of the Federal Hospital Insurance Trust Fund."

AMOUNT OF SUPPLEMENTARY MEDICAL INSURANCE PREMIUM

SEC. 203. (a) Section 1839 (b) (1) of the Social Security Act is amended by inserting "and before July 1, 1972," after "1967".

(b) Section 1839 (b) (2) of such Act is amended by striking out "thereafter" and inserting in lieu thereof "ending on or before December 31, 1970"

(c) Section 1839 of such Act (as amended by section 201 (c) (4) and (5) of this Act) is further amended by redesignating subsections (c), (d), and (e) as subsections (d), (e), and (f), respectively, and by inserting after subsection (b) the following new subsection:

"(c) (1) The Secretary shall, during December of 1971 and of each year thereafter, determine the monthly actuarial rate for enrollees age 65 and over which shall be applicable for the 12-month period commencing July 1 in the succeeding year. Such actuarial rate shall be the amount the Secretary estimates to be necessary so that the aggregate amount for such 12-month period with respect to those enrollees age 65 and over will equal one-half of the total of the benefits and administrative costs which he estimates will be

payable from the Federal Supplementary Medical Insurance Trust Fund for services performed and related administrative costs incurred in such 12-month period. In calculating the monthly actuarial rate, the Secretary shall include an appropriate amount for a contingency margin.

"(2) The monthly premium of each individual enrolled under this part for each month after June 1972 shall be the amount determined under paragraph (3).

"(3) The Secretary shall, during December of 1971 and of each year thereafter, determine and promulgate the monthly premium applicable for the individuals enrolled under this part for the 12-month period commencing July 1 in the succeeding year. The monthly premium shall be equal to the smaller of—

"(A) the monthly actuarial rate for enrollees age 65 and over, determined according to paragraph (1) of this subsection, for that 12-month period, or

"(B) the monthly premium rate most recently promulgated by the Secretary under this paragraph multiplied by the ratio of (i) the amount in column IV of the table which as of June 1 next following such determination appears (or is deemed to appear) in section 215(a) on the line which includes the figure '750' in column III of such table to (ii) the amount in column IV of the table which appeared (or was deemed to

appear) in section 215(a) on the line which included the figure '750' in column III as of June 1 of the year in which such determination is made.

Whenever the Secretary promulgates the dollar amount which shall be applicable as the monthly premium for any period, he shall, at the time such promulgation is announced, issue a public statement setting forth the actuarial assumptions and bases employed by him in arriving at the amount of an adequate actuarial rate for enrollees age 65 and over as provided in paragraph (1) and the derivation of the dollar amounts specified in this paragraph.

"(4) The Secretary shall also, during December of 1971 and of each year thereafter, determine the monthly actuarial rate for disabled enrollees under age 65 which shall be applicable for the 12-month period commencing July 1 in the succeeding year. Such actuarial rate shall be the amount the Secretary estimates to be necessary so that the aggregate amount for such 12-month period with respect to disabled enrollees under age 65 will equal one-half of the total of the benefits and administrative costs which he estimates will be incurred by the Federal Supplementary Medical Insurance Trust Fund for such 12-month period with respect to such enrollees. In calculating the monthly actuarial rate under this paragraph, the Secretary shall include an appropriate amount for a contingency margin."

(d) (1) Section 1839 (d) of such Act, as redesignated by subsection (c) of this section, is amended by inserting "or (c)" after "subsection (b)".

(2) Section 1839 (f) of such Act, as redesignated by subsection (c) of this section, is amended by striking out "subsection (c)" and inserting in lieu thereof "subsection (d)".

(e) Effective with respect to months after June 1972, section 1844 (a) (1) of such Act is amended to read as follows:

"(1) (A) a Government contribution equal to the aggregate premiums payable for enrollees age 65 and over under this part and deposited in the Trust Fund, multiplied by the ratio of—

"(i) twice the dollar amount of an actuarially adequate rate per enrollee age 65 and over as determined under section 1839 (c) (1) for the month in which such aggregate premiums are deposited in the Trust Fund, minus the dollar amount of the premium per enrollee for such month, to

"(ii) the dollar amount of the premium per enrollee for such month, plus

"(B) a Government contribution equal to the aggregate premiums payable for enrollees under age 65 under

this part and deposited in the Trust Fund, multiplied by the ratio of—

"(i) twice the dollar amount of an actuarially adequate rate per enrollee under age 65 as determined under section 1839(c)(4) for the month in which such aggregate premiums are deposited in the Trust Fund, minus the dollar amount of the premium per enrollee for such month, to

"(ii) the dollar amount of the premium per enrollee for such month."

CHANGE IN SUPPLEMENTARY MEDICAL INSURANCE DEDUCTIBLE

SEC. 204. (a) Section 1833(b) of the Social Security Act is amended by striking out "shall be reduced by a deductible of $50" and inserting in lieu thereof "shall be reduced by a deductible of $60".

(b) Section 1835(c) of such Act is amended by striking out "but only if such charges for such services do not exceed $50" and inserting in lieu thereof "but only if such charges for such services do not exceed the applicable supplementary medical insurance deductible".

(c) The amendments made by this section shall be effective with respect to calendar years after 1971 (except that, for purposes of applying clause (1) of the first sentence of section 1833(b) of the Social Security Act, such amend-

ments shall be deemed to have taken effect on January 1, 1971).

INCREASE IN LIFETIME RESERVE DAYS AND CHANGE IN HOSPITAL INSURANCE COINSURANCE AMOUNT UNDER MEDICARE

SEC. 205. (a) (1) Section 1812 (a) (1) of the Social Security Act is amended by striking out "up to 150 days" and inserting in lieu thereof "up to 210 days".

(2) Section 1812 (b) (1) of such Act is amended by striking out "for 150 days" and inserting in lieu thereof "for 210 days".

(b) Section 1813 (a) (1) of such Act is amended—

(1) by redesignating subparagraphs (A) and (B) as subparagraphs (B) and (C), respectively; and

(2) by inserting after "a coinsurance amount equal to—" the following new subparagraph:

"(A) one-eighth of the inpatient hospital deductible for each day (before the 61st day) on which such individual is furnished such services during such spell of illness after such services have been furnished to him for 30 days during such spell;".

(c) The amendments made by this section shall be effective with respect to inpatient hospital services furnished during inpatient hospital stays beginning after December 31, 1971.

AUTOMATIC ENROLLMENT FOR SUPPLEMENTARY MEDICAL INSURANCE

SEC. 206. (a) Section 1837 of the Social Security Act is amended by adding at the end thereof the following new subsections:

"(f) Any individual—

"(1) who is eligible under section 1836 to enroll in the medical insurance program by reason of entitlement to hospital insurance benefits as described in paragraph (1) of such section, and

"(2) whose initial enrollment period under subsection (d) begins on or after the first day of the second month following the month in which this subsection is enacted, or October 1, 1971, whichever is later,

shall be deemed to have enrolled in the medical insurance program established by this part.

"(g) All of the provisions of this section shall apply to individuals satisfying subsection (f), except that—

"(1) in the case of an individual who satisfies subsection (f) by reason of entitlement to disability insurance benefits described in section 226(a) (2) (B), his initial enrollment period shall begin on the first day of the later of (A) April 1972 or (B) the third month before the 25th consecutive month of such entitlement, and shall reoccur with each continuous period of eligibil-

ity (as defined in section 1839(e)) and upon attainment of age 65;

"(2) (A) in the case of an individual who is entitled to monthly benefits under section 202 or 223 on the first day of his initial enrollment period or becomes entitled to monthly benefits under section 202 during the first 3 months of such period, his enrollment shall be deemed to have occurred in the third month of his initial enrollment period, and

"(B) in the case of an individual who is not entitled to benefits under section 202 on the first day of his initial enrollment period and does not become so entitled during the first 3 months of such period, his enrollment shall be deemed to have occurred in the month in which he files the application establishing his entitlement to hospital insurance benefits provided such filing occurs during the last 4 months of his initial enrollment period; and

"(3) in the case of an individual who would otherwise satisfy subsection (f) but does not establish his entitlement to hospital insurance benefits until after the last day of his initial enrollment period (as defined in subsection (d) of this section), his enrollment shall be deemed to have occurred on the first day of the earlier of the then current or immediately succeeding general

enrollment period (as defined in subsection (e) of this section)."

(b) Section 1838(a) of such Act is amended—

(1) by striking out the period at the end of subsection (a) and by inserting in lieu thereof "; or"; and

(2) by adding at the end of subsection (a) the following new paragraph:

"(3) (A) in the case of an individual who is deemed to have enrolled on or before the last day of the third month of his initial enrollment period, the first day of the month in which he first meets the applicable requirements of section 1836 or January 1, 1972, whichever is later, or

"(B) in the case of an individual who is deemed to have enrolled on or after the first day of the fourth month of his initial enrollment period, as prescribed under subparagraphs (B), (C), (D), and (E) of paragraph (2) of this subsection."

(c) Section 1838(b) of such Act (as amended by section 257(a) of this Act) is further amended by adding at the end thereof the following new paragraph:

"Where an individual who is deemed to have enrolled for medical insurance pursuant to section 1837(f) files a notice before the first day of the month in which his coverage

period begins advising that he does not wish to be so enrolled, the termination of the coverage period resulting from such deemed enrollment shall take effect with the first day of the month the coverage would have been effective and such notice shall not be considered a disenrollment for the purposes of section 1837 (b). Where an individual who is deemed enrolled for medical insurance benefits pursuant to section 1837 (f) files a notice requesting termination of his deemed coverage in or after the month in which such coverage becomes effective, the termination of such coverage shall take effect at the close of the calendar quarter following the calendar quarter in which the notice is filed."

ESTABLISHMENT OF INCENTIVES FOR STATES TO EMPHASIZE COMPREHENSIVE HEALTH CARE UNDER MEDICAID

SEC. 207. (a) (1) Section 1903 of the Social Security Act is amended by adding at the end thereof the following new subsections:

"(g) The amount determined under subsection (a) (1) for any State shall be adjusted as follows:

"(1) with respect to amounts paid for services furnished under the State plan after June 30, 1971, pursuant to a contract with (A) a health maintenance organization as defined in section 1876, or (B) a community health center or other similar facility providing comprehensive health care, the Federal medical assist-

ance percentage shall be increased by 25 per centum thereof, except that the Federal medical assistance percentage as so increased may not exceed 95 per centum, and except that such percentage shall be so increased only if such contract provides that payments for services provided under the contract will not exceed the payment levels for similar services provided in the same geographical area and rendered under the plan approved under section 1902; and

"(2) with respect to amounts paid for the following services furnished under the State plan after June 30, 1971 (other than services furnished pursuant to a contract with a health maintenance organization as defined in section 1876), the Federal medical assistance percentage shall be decreased as follows:

"(A) after an individual has received inpatient hospital services (including services furnished in an institution for tuberculosis) on sixty days (whether or not such days are consecutive) during any fiscal year (which for purposes of this section means the four calendar quarters ending with June 30), the Federal medical assistance percentage with respect to amounts paid for any such services furnished thereafter to such individual in the same fiscal year shall be decreased by 33⅓ per centum thereof;

"(B) after an individual has received care as an inpatient in a skilled nursing home on sixty days (whether or not such days are consecutive) during any fiscal year, the Federal medical assistance percentage with respect to amounts paid for any such care furnished thereafter to such individual in the same fiscal year shall be decreased by 33⅓ per centum thereof unless the State agency responsible for the administration of the plan makes a showing satisfactory to the Secretary that, with respect to each calendar quarter for which the State submits a request for payment at the full Federal medical assistance percentage for amounts paid for skilled nursing home services furnished beyond sixty days, there is in operation in the State an effective program of control over utilization of skilled nursing home services; such a showing must include evidence that—

"(i) in each case for which payment is made under the State plan, a physician certifies at the time of admission, or, if later, the time the individual applies for medical assistance under the State plan (and recertifies, where such services are furnished over a period of time, in such cases, at least every sixty days,

and accompanied by such supporting material, appropriate to the case involved, as may be provided in regulations of the Secretary), that such services are or were required to be given on an inpatient basis because the individual needs or needed such services; and

"(ii) in each such case, such services were furnished under a plan established and periodically reviewed and evaluated by a physician;

"(iii) such State has in effect a continuous program of review of utilization pursuant to section 1902(a)(30) whereby the necessity for admission and the continued stay of each patient in a skilled nursing home is periodically reviewed and evaluated (with such frequency as may be prescribed in regulations of the Secretary) by medical and other professional personnel who are not themselves directly responsible for the care of the patient and who are not employed by or financially interested in any skilled nursing home; and

"(iv) such State has an effective program of medical review of the care of patients in skilled nursing homes pursuant to section 1902(a)(26) whereby the medical management of

each case is reviewed and evaluated at least annually by independent medical review teams;

"(C) after an individual has received inpatient services in a hospital for mental diseases on ninety days (whether or not such days are consecutive), occurring after June 30, 1971, and on up to an additional thirty days if the State agency responsible for the administration of the plan demonstrates to the satisfaction of the Secretary that the individual is continuing to receive active treatment in such hospital and that the prognosis with respect to such individual is one of continued therapeutic improvement, the Federal medical assistance percentage with respect to amounts paid for any such services furnished to such individual shall be decreased by 33⅓ per centum thereof and no payment may be made under this title for any such services furnished to such individual after such services have been furnished to him for three hundred and sixty-five days.

In determining the number of days on which an individual has received services described in this subsection, there shall not be counted any days with respect to which such individual is entitled to have payments made (in whole or in part) on his behalf under section 1812.

"(h) (1) If the Secretary determines for any calendar quarter beginning after December 31, 1971, with respect to any State that there does not exist a reasonable cost differential between the cost of skilled nursing home services and the cost of intermediate care facility services in such State, the Secretary may reduce the amount which would otherwise be considered as expenditures under the State plan by an amount which in his judgment is a reasonable equivalent of the difference between the amount of the expenditures by such State for intermediate care facility services and the amount that would have been expended by such State for such services if there had been a reasonable cost differential between the cost of skilled nursing home services and the cost of intermediate care facility services.

"(2) In determining whether any such cost differential in any State is reasonable the Secretary shall take into consideration the range of such cost differentials in all States.

"(3) For the purposes of this subsection, the term 'cost differential' for any State for any quarter means, as determined by the Secretary on the basis of the data for the most recent calendar quarter for which satisfactory data are available, the excess of—

"(A) the average amount paid in such State (regardless of the source of payment) per inpatient day for skilled nursing home services, over

"(B) the average amount paid in such State (regardless of the source of payment) per inpatient day for intermediate care facility services."

(2) Section 1903(a)(1) of such Act is amended by inserting ", subject to subsections (g) and (h) of this section" after "section 1905(b)".

(b) The amendments made by subsection (a) shall, except as otherwise provided therein, be effective July 1, 1971.

COST-SHARING UNDER MEDICAID

SEC. 208. (a) Section 1902(a)(14) of the Social Security Act is amended to read as follows:

"(14) effective January 1, 1972, provide that—

"(A) in the case of individuals receiving aid or assistance under a State plan approved under title I, X, XIV, or XVI, or part A of title IV, or who meet the income and resources requirements of the one of such State plans which is appropriate—

"(i) no enrollment fee, premium, or similar charge, and no deduction, cost sharing, or similar charge with respect to the care and services listed in clauses (1) through (5) and (7) of section 1905(a), will be imposed under the plan, and

"(ii) any deduction, cost sharing, or similar charge imposed under the plan with respect

to other care and services will be nominal in amount (as determined in accordance with standards approved by the Secretary and included in the plan), and

"(B) with respect to individuals who are not receiving aid or assistance under any such State plan and who do not meet the income and resources requirements of the one of such State plans which is appropriate—

"(i) there shall be imposed an enrollment fee, premium, or similar charge which (as determined in accordance with standards prescribed by the Secretary) is related to the individual's income, and

"(ii) no other enrollment fee or premium will be imposed under the plan;".

(b) The amendment made by subsection (a) shall be effective January 1, 1972 (or earlier if the State plan so provides).

DETERMINATION OF PAYMENTS UNDER MEDICAID

SEC. 209. (a) Section 1902(a)(10) of the Social Security Act is amended by striking our everything which precedes "except that" immediately following subparagraph (B) and inserting in lieu thereof the following:

"(10) effective July 1, 1972, provide, subject to

paragraph (14) of this subsection and to subsection (e) of this section, and in accordance with the provisions of section 1903 (f)—

"(A) for making medical assistance available (in equal amount, duration, and scope) to all individuals who are receiving assistance to needy families with children as defined in section 405 (b) or receiving assistance for the aged, blind, and disabled under title XX, or with respect to whom payments for foster care are made in accordance with section 406;

"(B) if the standard for medical assistance established under the State plan is more than 100 percent (but less than 133⅓ percent) of the combined amount specified in clauses (A) and (B) of paragraph (2) of section 1903 (f), provide—

"(i) for making medical or remedial care and services available to—

"(I) individuals who are aged, blind, or disabled as defined in title XX, and families (as defined in title XXI), not receiving assistance under title XX or XXI, and

"(II) children who are members of families (other than needy families with

children as defined in section 405(b)) receiving assistance under title XXI,

in cases where the income of the individual or the income of all the members of the family is (after deducting such individual's or such family's incurred medical expenses as defined in section 213 of the Internal Revenue Code of 1954) less than such standard, and

"(ii) that the medical or remedial care and services made available to all such individuals and families shall be equal in amount, duration, and scope, and shall not be more than the medical assistance made available to individuals described in subparagraph (A); and

"(C) if medical or remedial care or services are included for any group of individuals who are not included in subparagraphs (A) and (B), provide—

"(i) for making medical or remedial care and services available to all such individuals who would, if needy, be eligible for assistance under title XX or XXI and who have insufficient income and resources to meet the costs of necessary medical or remedial care and services, and

"(ii) that the medical or remedial care and services made available to all such individuals shall be equal in amount, duration, and scope, and shall not be more than the medical assistance made available to individuals described in subparagraph (A);".

(b) (1) Section 1902 (a) (14) of such Act (as amended by section 208 (a) of this Act) is amended by striking out "provide that" in the matter preceding subparagraph (A) and inserting in lieu thereof "provide, subject to section 1903 (f), that".

(2) Section 1902 (a) (17) of such Act is amended—

(A) by striking out "and (in the case of any applicant" and all that follows in clause (B) and inserting in lieu thereof a comma, and

(B) by striking out "provide for flexibility" and inserting in lieu thereof "provide, in the case of individuals to whom section 1903 (f) does not apply, for flexibility".

(c) Section 1903 (f) of such Act is amended to read as follows:

"(f) (1) Payment under the preceding provisions of this section shall not be made for amounts expended as medical assistance in any calendar quarter in any State—

"(A) for any individual who is aged, blind, or dis-

abled, as defined in title XX, and who is not receiving assistance under such title, or

"(B) for any member of a family as defined in title XXI (whether or not such family is receiving assistance under such title),

unless the income of any such individual or the income of all the members of any such family (after deducting such individual's or such family's incurred expenses for medical care as defined in section 213 of the Internal Revenue Code of 1954) is not in excess of the standard for medical assistance established under the State plan in accordance with the provisions of this subsection.

"(2) Such standard for medical assistance shall not be less than (nor more than 133⅓ percent of) (A) the highest amount that would be payable under title XXI to an eligible family of the same size without any income or resources, plus (B) the amount of the supplementary payment, if any, made by such State in accordance with section 2156 to such an eligible family.

"(3) In determining the income of any individual who is aged, blind, or disabled as defined in title XX, there shall be excluded (A) the first $1,020 per year of such individual's earned income (or proportionately smaller amounts for shorter periods) if he is an individual described in subparagraph (A) or (B) of section 2012(b)(3) or the first

$720 of such individual's earned income (or proportionately smaller amounts for shorter periods) if he is an individual described in subparagraph (C) of such section, and (B) any amounts that would be excluded under section 2012(b) other than under paragraphs (3) and (4) thereof.

"(4) In determining the income of any family as defined in title XXI, there shall be excluded (A) the first $720 per year of earned income (or proportionately smaller amounts for shorter periods) of all members of the family, and (B) any amounts that would be excluded under section 2153(b) other than under paragraphs (4) and (5) thereof."

(d) Section 1902 of such Act is amended by adding at the end thereof the following new subsection:

"(e) Notwithstanding any other provision of this title, no State shall be required to provide medical assistance to any individual or any member of a family for any month unless such State would be (or would have been) required to provide medical assistance to such individual or family member for such month had its plan for medical assistance approved under this title and in effect on January 1, 1971, been in effect in such month, except that for this purpose any such individual or family member shall be deemed eligible for medical assistance under such State plan if (in addition to meeting such other requirements as are or may be imposed under the State plan) the income of any such individual or

the income of all of the members of any such family as determined in accordance with section 1903 (f) (after deducting such individual's or such family's incurred expenses for medical care as defined in section 213 of the Internal Revenue Code of 1954) is not in excess of the standard for medical assistance established under the State plan as in effect on January 1, 1971."

(e) The amendments made by this section shall become effective on July 1, 1972.

PAYMENT UNDER MEDICARE TO INDIVIDUALS COVERED BY FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

SEC. 210. Section 1862 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(c) No payment may be made under this title with respect to any item or service furnished to or on behalf of any individual on or after January 1, 1975, if such item or service is covered under a health benefits plan in which such individual is enrolled under chapter 89 of title 5, United States Code, unless prior to the date on which such item or service is so furnished the Secretary shall have determined and certified that such plan or the Federal employees health benefits program under chapter 89 of such title 5 has been modified so as to assure that—

"(1) there is available to each Federal employee or annuitant enrolled in such plan, upon or after attaining age 65, in addition to the health benefits plans available before he attains such age, one or more health benefits plans which offer protection supplementing the combined protection provided under parts A and B of this title and one or more health benefits plans which offer protection supplementing the protection provided under part B of this title alone, and

"(2) the Government or such plan will make available to such Federal employee or annuitant a contribution in an amount at least equal to the contribution which the Government makes toward the health insurance of any employee or annuitant enrolled for high option coverage under the Government-wide plans established under chapter 89 of such title 5, with such contribution being in the form of (A) a contribution toward the supplementary protection referred to in paragraph (1), (B) a payment to or on behalf of such employee or annuitant to offset the cost to him of coverage under parts A and B (or part B alone) of this title, or (C) a combination of such contribution and such payment."

PAYMENT UNDER MEDICARE FOR CERTAIN INPATIENT HOSPITAL AND RELATED PHYSICIANS' SERVICES FURNISHED OUTSIDE THE UNITED STATES

SEC. 211. (a) Section 1814(f) of the Social Security Act is amended to read as follows:

"Payment for Certain Inpatient Hospital Services Furnished Outside the United States

"(f) (1) Payment shall be made for inpatient hospital services furnished to an individual entitled to hospital insurance benefits under section 226 by a hospital located outside the United States, or under arrangements (as defined in section 1861(w)) with it, if—

"(A) such individual is a resident of the United States, and

"(B) such hospital was closer to, or substantially more accessible from, the residence of such individual than the nearest hospital within the United States which was adequately equipped to deal with, and was available for the treatment of, such individual's illness or injury.

"(2) Payment may also be made for emergency inpatient hospital services furnished to an individual entitled to hospital insurance benefits under section 226 by a hospital located outside the United States if—

"(A) such individual was physically present in a place within the United States at the time the emergency

which necessitated such inpatient hospital services occurred, and

"(B) such hospital was closer to, or substantially more accessible from, such place than the nearest hospital within the United States which was adequately equipped to deal with, and was available for the treatment of, such individual's illness or injury.

"(3) Payment shall be made in the amount provided under subsection (b) to any hospital for the inpatient hospital services described in paragraph (1) or (2) furnished to an individual by the hospital or under arrangements (as defined in section 1861 (w)) with it if (A) the Secretary would be required to make such payment if the hospital had an agreement in effect under this title and otherwise met the conditions of payment hereunder, (B) such hospital elects to claim such payment, and (C) such hospital agrees to comply, with respect to such services, with the provisions of section 1866 (a).

"(4) Payment for the inpatient hospital services described in paragraph (1) or (2) furnished to an individual entitled to hospital insurance benefits under section 226 may be made on the basis of an itemized bill to such individual if (A) payment for such services cannot be made under paragraph (3) solely because the hospital does not elect to claim such payment, and (B) such individual files applica-

tion (submitted within such time and in such form and manner and by such person, and continuing and supported by such information as the Secretary shall by regulations prescribe) for reimbursement. The amount payable with respect to such services shall, subject to the provisions of section 1813, be equal to the amount which would be payable under subsection (d) (3)."

(b) Section 1861 (e) of such Act is amended—

(1) by striking out "except for purposes of sections 1814 (d) and 1835 (b)" and inserting in lieu thereof "except for purposes of sections 1814 (d), 1814 (f), and 1835 (b)":

(2) by inserting "section 1814 (f) (2)," immediately after "For purposes of sections 1814 (d) and 1835 (b) (including determination of whether an individual received inpatient hospital services or diagnostic services for purposes of such sections),"; and

(3) by inserting immediately after the third sentence the following new sentence: "For purposes of section 1814 (f) (1), such term includes an institution which (i) is a hospital for purposes of sections 1814 (d), 1814 (f) (2), and 1835 (b) and (ii) is accredited by the Joint Commission on Accreditation of Hospitals, or is accredited by or approved by a program of the country in which such institution is located if the Secretary finds

the accreditation or comparable approval standards of such program to be essentially equivalent to those of the Joint Commission on Accreditation of Hospitals."

(c) (1) Section 1862 (a) (4) of such Act is amended—

(A) by striking out "emergency"; and

(B) by inserting after "1814 (f)" the following: "and, subject to such conditions, limitations, and requirements as are provided under or pursuant to this title, physicians' services and ambulance services furnished an individual in conjunction with such inpatient hospital services but only for the period during which such inpatient hospital services were furnished".

(2) Section 1861 (r) of such Act (as amended by sections 256 (b) and 264 of this Act) is further amended by adding at the end thereof the following new sentence: "For the purposes of section 1862 (a) (4) and subject to the limitations and conditions provided in the previous sentence, such term includes a doctor of one of the arts, specified in such previous sentence, legally authorized to practice such art in the country in which the inpatient hospital services (referred to in such section 1862 (a) (4)) are furnished."

(3) Section 1842 (b) (3) (B) (ii) of such Act is amended by striking out "service;" and inserting in lieu thereof the following: "service (except in the case of physicians' services and ambulance service furnished as described

in section 1862(a)(4), other than for purposes of section 1870(f));".

(4) Section 1833(a)(1) of such Act is amended by striking out "and" before "(B)", and by inserting before the semicolon at the end thereof the following: ", and (C) with respect to expenses incurred for those physicians' services for which payment may be made under this part that are described in section 1862(a)(4), the amounts paid shall be subject to such limitations as may be prescribed by regulations".

(d) The amendments made by this section shall apply to services furnished with respect to admissions occurring after December 31, 1971.

PART B—IMPROVEMENTS IN OPERATING EFFECTIVENESS

LIMITATION ON FEDERAL PARTICIPATION FOR CAPITAL EXPENDITURES

SEC. 221. (a) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"LIMITATION ON FEDERAL PARTICIPATION FOR CAPITAL EXPENDITURES

"SEC. 1122. (a) The purpose of this section is to assure that Federal funds appropriated under titles V, XVIII, and XIX are not used to support unnecessary capital expenditures made by or on behalf of health care facilities or health

maintenance organizations which are reimbursed under any of such titles and that, to the extent possible, reimbursement under such titles shall support planning activities with respect to health services and facilities in the various States.

(b) The Secretary, after consultation with the Governor (or other chief executive officer) and with appropriate local public officials, shall make an agreement with any State which is able and willing to do so under which a designated planning agency (which shall be an agency described in clause (ii) of subsection (d) (1) (B) that has a governing body or advisory board at least half of whose members represent consumer interests) will—

"(1) make, and submit to the Secretary together with such supporting materials as he may find necessary, findings and recommendations with respect to capital expenditures proposed by or on behalf of any health care facility or health maintenance organization in such State within the field of its responsibilities,

(2) receive from other agencies described in clause (ii) of subsection (d) (1) (B), and submit to the Secretary together with such supporting material as he may find necessary, the findings and recommendations of such other agencies with respect to capital expenditures proposed by or on behalf of health care facilities or

health maintenance organizations in such State within the fields of their respective responsibilities, and

"(3) establish and maintain procedures pursuant to which a person proposing any such capital expenditure may appeal a recommendation by the designated agency and will be granted an opportunity for a fair hearing by such agency or person other than the designated agency as the Governor (or other chief executive officer) may designate to hold such hearings,

whenever and to the extent that the findings of such designated agency or any such other agency indicate that any such expenditure is not consistent with the standards, criteria, or plans developed pursuant to the Public Health Service Act (or the Mental Retardation Facilities and Community Mental Health Centers Construction Act of 1963) to meet the need for adequate health care facilities in the area covered by the plan or plans so developed.

"(c) The Secretary shall pay any such State from the Federal Hospital Insurance Trust Fund, in advance or by way of reimbursement as may be provided in the agreement with it (and may make adjustments in such payments on account of overpayments or underpayments previously made), for the reasonable cost of performing the functions specified in subsection (b).

"(d) (1) Except as provided in paragraph (2), if the Secretary determines that—

"(A) neither the planning agency designated in the agreement described in subsection (b) nor an agency described in clause (ii) of subparagraph (B) of this paragraph had been given notice of any proposed capital expenditure (in accordance with such procedure or in such detail as may be required by such agency) at least 60 days prior to obligation for such expenditure; or

"(B) (i) the planning agency so designated or an agency so described had received such timely notice of the intention to make such capital expenditure and had, within a reasonable period after receiving such notice and prior to obligation for such expenditure, notified the person proposing such expenditure that the expenditure would not be in conformity with the standards, criteria, or plans developed by such agency or any other agency described in clause (ii) for adequate health care facilities in such State or in the area for which such other agency has responsibility, and

"(ii) the planning agency so designated had, prior to submitting to the Secretary the findings referred to in subsection (b)—

"(I) consulted with, and taken into consideration the findings and recommendations of, the State planning agencies established pursuant to sections 314(a) and 604(a) of the Public Health Service Act (to the extent that either such agency is not the agency so designated) as well as the public or nonprofit private agency or organization responsible for the comprehensive regional, metropolitan area, or other local area plan or plans referred to in section 314(b) of the Public Health Service Act and covering the area in which the health care facility or health maintenance organization proposing such capital expenditure is located (where such agency is not the agency designated in the agreement), or, if there is no such agency, such other public or nonprofit private agency or organization (if any) as performs, as determined in accordance with criteria included in regulations, similar functions, and

"(II) granted to the person proposing such capital expenditure an opportunity for a fair hearing with respect to such findings;

then, for such period as he finds necessary in any case to effectuate the purpose of this section, he shall, in determining the Federal payments to be made under titles V, XVIII, and XIX with respect to services furnished in the health

care facility for which such capital expenditure is made, not include any amount which is attributable to depreciation, interest on borrowed funds, a return on equity capital (in the case of proprietary facilities), or other expenses related to such capital expenditure. With respect to any organization which is reimbursed on a per capita basis, in determining the Federal payments to be made under titles V, XVIII, and XIX, the Secretary shall exclude an amount which in his judgment is a reasonable equivalent to the amount which would otherwise be excluded under this subsection if payment were to be made on other than a per capita basis.

"(2) If the Secretary, after submitting the matters involved to the advisory council established or designated under subsection (i), determines that an exclusion of expenses related to any capital expenditure of any health care facility or health maintenance organization would discourage the operation or expansion of such facility or organization, or of any facility of such organization, which has demonstrated to his satisfaction proof of capability to provide comprehensive health care services (including institutional services) efficiently, effectively, and economically, or would otherwise be inconsistent with the effective organization and delivery of health services or the effective administration of title V, XVIII, or XIX, he shall not exclude such expenses pursuant to paragraph (1).

"(e) Where a person obtains under lease or comparable arrangement any facility or part thereof, or equipment for a facility, which would have been subject to an exclusion under subsection (d) if the person had acquired it by purchase, the Secretary shall (1) in computing such person's rental expense in determining the Federal payments to be made under titles V, XVIII, and XIX with respect to services furnished in such facility, deduct the amount which in his judgment is a reasonable equivalent of the amount that would have been excluded if the person had acquired such facility or such equipment by purchase, and (2) in computing such person's return on equity capital deduct any amount deposited under the terms of the lease or comparable arrangement.

"(f) Any person dissatisfied with a determination by the Secretary under this section may within six months following notification of such determination request the Secretary to reconsider such determination. A determination by the Secretary under this section shall not be subject to administrative or judicial review.

"(g) For the purposes of this section, a 'capital expenditure' is an expenditure which, under generally accepted accounting principles, is not properly chargeable as an expense of operation and maintenance and which (1) exceeds $100,000, (2) changes the bed capacity of the facility with respect to which such expenditure is made, or (3) sub-

stantially changes the services of the facility with respect to which such expenditure is made. For purposes of clause (1) of the preceding sentence, the cost of the studies, surveys, designs, plans, working drawings, specifications, and other activities essential to the acquisition, improvement, expansion, or replacement of the plant and equipment with respect to which such expenditure is made shall be included in determining whether such expenditure exceeds $100,000.

"(h) The provisions of this section shall not apply to Christian Science sanatoriums operated, or listed and certified, by the First Church of Christ, Scientist, Boston, Massachusetts.

"(i) (1) The Secretary shall establish a national advisory council, or designate an appropriate existing national advisory council, to advise and assist him in the preparation of general regulations to carry out the purposes of this section and on policy matters arising in the administration of this section, including the coordination of activities under this section with those under other parts of this Act or under other Federal or federally assisted health programs.

"(2) The Secretary shall make appropriate provision for consultation between and coordination of the work of the advisory council established or designated under paragraph (1) and the Federal Hospital Council, the National

Advisory Health Council, the Health Insurance Benefits Advisory Council, the Medical Assistance Advisory Council, and other appropriate national advisory councils with respect to matters bearing on the purposes and administration of this section and the coordination of activities under this section with related Federal health programs.

"(3) If an advisory council is established by the Secretary under paragraph (1), it shall be composed of members who are not otherwise in the regular full-time employ of the United States, and who shall be appointed by the Secretary without regard to the civil service laws from among leaders in the fields of the fundamental sciences, the medical sciences, and the organization, delivery, and financing of health care, and persons who are State or local officials or are active in community affairs or public or civic affairs or who are representative of minority groups. Members of such advisory council, while attending meetings of the council or otherwise serving on business of the council, shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding the maximum rate specified at the time of such service for grade GS–18 in section 5332 of title 5, United States Code, including traveltime, and while away from their homes or regular places of business they may also be allowed travel expenses, including per diem in lieu of subsistence, as

authorized by section 5703 (b) of such title 5 for persons in the Government service employed intermittently."

(b) The amendment made by subsection (a) shall apply only with respect to a capital expenditure the obligation for which is incurred by or on behalf of a health care facility or health maintenance organization subsequent to whichever of the following is earlier: (A) June 30, 1972, or (B) with respect to any State or any part thereof specified by such State, the last day of the calendar quarter in which the State requests that the amendment made by subsection (a) of this section apply in such State or such part thereof.

(c) (1) Section 505 (a) (6) of such Act (as amended by section 232 (b) of this Act) is further amended by inserting ", consistent with section 1122," after "standards" where it first appears.

(2) Section 506 of such Act (as amended by sections 224 (d), 229 (d), 233 (d), and 237 (b) of this Act) is further amended by adding at the end thereof the following new subsection:

"(g) For limitation on Federal participation for capital expenditures which are out of conformity with a comprehensive plan of a State or areawide planning agency, see section 1122."

(3) Clause (2) of the second sentence of section 509

(a) of such Act is amended by inserting ", consistent with section 1122," after "standards".

(4) Section 1861 (v) of such Act is amended by adding at the end thereof the following new paragraph:

"(5) For limitation on Federal participation for capital expenditures which are out of conformity with a comprehensive plan of a State or areawide planning agency, see section 1122."

(5) Section 1902 (a) (13) (D) of such Act (as amended by section 232 (a) of this Act) is further amended by inserting ", consistent with section 1122," after "standards" where it first appears.

(6) Section 1903 (b) of such Act is amended by adding at the end thereof the following new paragraph:

"(3) For limitation on Federal participation for capital expenditures which are out of conformity with a comprehensive plan of a State or areawide planning agency, see section 1122."

REPORT ON PLAN FOR PROSPECTIVE REIMBURSEMENT; EXPERIMENTS AND DEMONSTRATION PROJECTS TO DEVELOP INCENTIVES FOR ECONOMY IN THE PROVISION OF HEALTH SERVICES

SEC. 222. (a) (1) The Secretary of Health, Education, and Welfare, directly or through contracts with public or private agencies or organizations, shall develop and carry

out experiments and demonstration projects designed to determine the relative advantages and disadvantages of various alternative methods of making payment on a prospective basis to hospitals, extended care facilities, and other providers of services for care and services provided by them under title XVIII of the Social Security Act and under State plans approved under titles XIX and V of such Act, including alternative methods for classifying providers, for establishing prospective rates of payment, and for implementing on a gradual, selective, or other basis the establishment of a prospective payment system, in order to stimulate such providers through positive financial incentives to use their facilities and personnel more efficiently and thereby to reduce the total costs of the health programs involved without adversely affecting the quality of services by containing or lowering the rate of increase in provider costs that has been and is being experienced under the existing system of retroactive cost reimbursement.

(2) The experiments and demonstration projects developed under paragraph (1) shall be of sufficient scope and shall be carried out on a wide enough scale to permit a thorough evaluation of the alternative methods of prospective payment under consideration while giving assurance that the results derived from the experiments and projects will obtain generally in the operation of the programs involved (with-

out committing such programs to the adoption of any prospective payment system either locally or nationally).

(3) In the case of any experiment or demonstration project under paragraph (1), the Secretary may waive compliance with the requirements of titles XVIII, XIX, and V of the Social Security Act insofar as such requirements relate to methods of payment for services provided; and costs incurred in such experiment or project in excess of those which would otherwise be reimbursed or paid under such titles may be reimbursed or paid to the extent that such waiver applies to them (with such excess being borne by the Secretary). No experiment or demonstration project shall be developed or carried out under paragraph (1) until the Secretary obtains the advice and recommendations of specialists who are competent to evaluate the proposed experiment or project as to the soundness of its objectives, the possibilities of securing productive results, the adequacy of resources to conduct it, and its relationship to other similar experiments or projects already completed or in process.

(4) Grants, payments under contracts, and other expenditures made for experiments and demonstration projects under this subsection shall be made in appropriate part from the Federal Hospital Insurance Trust Fund (established by section 1817 of the Social Security Act) and the Federal Supplementary Medical Insurance Trust Fund

(established by section 1841 of the Social Security Act). Grants and payments under contracts may be made either in advance or by way of reimbursement, as may be determined by the Secretary, and shall be made in such installments and on such conditions as the Secretary finds necessary to carry out the purpose of this subsection. With respect to any such grant, payment, or other expenditure, the amount to be paid from each of such trust funds shall be determined by the Secretary, giving due regard to the purposes of the experiment or project involved.

(5) The Secretary shall submit to the Congress no later than July 1, 1973, a full report on the experiments and demonstration projects carried out under this subsection and on the experience of other programs with respect to prospective reimbursement together with any related data and materials which he may consider appropriate. Such report shall include detailed recommendations with respect to the specific methods which could be used in the full implementation of a system of prospective payment to providers of services under the programs involved.

(b) (1) Section 402 (a) of the Social Security Amendments of 1967 is amended to read as follows:

"(a) (1) The Secretary of Health, Education, and Welfare is authorized, either directly or through grants to public or nonprofit private agencies, institutions, and organizations

or contracts with public or private agencies, institutions, and organizations, to develop and engage in experiments and demonstration projects for the following purposes:

"(A) to determine whether, and if so which, changes in methods of payment or reimbursement (other than those dealt with in section 222(a) of the Social Security Amendments of 1971) for health care and services under health programs established by the Social Security Act, including a change to methods based on negotiated rates, would have the effect of increasing the efficiency and economy of health services under such programs through the creation of additional incentives to these ends without adversely affecting the quality of such services;

"(B) to determine whether payments for services other than those for which payment may be made under such programs (and which are incidental to services for which payment may be made under such programs) would, in the judgment of the Secretary, result in more economical provision and more effective utilization of services for which payment may be made under such program, where such services are furnished by organizations and institutions which have the capability of providing—

"(i) comprehensive health care services,

"(ii) mental health care services (as defined by section 401(c) of the Mental Retardation Facilities and Community Health Centers Construction Act of 1963),

"(iii) ambulatory health care services, or

"(iv) institutional services which may substitute, at lower cost, for hospital care;

"(C) to determine whether the rates of payment or reimbursement for health care services, approved by a State for purposes of the administration of one or more of its laws, when utilized to determine the amount to be paid for services furnished in such State under the health programs established by the Social Security Act, would have the effect of reducing the costs of such programs without adversely affecting the quality of such services;

"(D) to determine whether payments under such programs based on a single combined rate of reimbursement or charge for the teaching activities and patient care which residents, interns, and supervising physicians render in connection with a graduate medical education program in a patient facility would result in more equitable and economical patient care arrangements without adversely affecting the quality of such care;

"(E) to determine whether peer review, utilization review, and medical review mechanisms estab-

lished on an areawide or communitywide basis would have a beneficial effect in helping to assure that services provided conform to appropriate professional standards for the provision of health care and that payment for such services will be made—

"(i) only when, and to the extent, medically necessary, as determined in the exercise of reasonable limits of professional discretion, and

"(ii) in the case of services provided by a hospital or other health care facility on an inpatient basis, only when and for such period as such services cannot, consistent with professionally recognized health care standards, effectively be provided on an outpatient basis or more economically in an inpatient health care facility of a different type, as determined in the exercise of reasonable limits of professional discretion; and

"(F) to determine whether, and if so which type of, fixed price or performance incentive contract would have the effect of inducing to the greatest degree effective, efficient, and economical performance of agencies and organizations making payment under agreements or contracts with the Secretary for health care and services under health programs established by the Social Security Act.

For purposes of this subsection, 'health programs established by the Social Security Act' means the program established by title XVIII of such Act, a program established by a plan of a State approved under title XIX of such Act, and a program established by a plan of a State approved under title V of such Act.

"(2) Grants, payments under contracts, and other expenditures made for experiments and demonstration projects under paragraph (1) shall be made in appropriate part from the Federal Hospital Insurance Trust Fund (established by section 1817 of the Social Security Act) and the Federal Supplementary Medical Insurance Trust Fund (established by section 1841 of the Social Security Act). Grants and payments under contracts may be made either in advance or by way of reimbursement, as may be determined by the Secretary, and shall be made in such installments and on such conditions as the Secretary finds necessary to carry out the purpose of this section. With respect to any such grant, payment, or other expenditure, the amount to be paid from each of such trust funds shall be determined by the Secretary, giving due regard to the purposes of the experiment or project involved."

(2) Section 402(b) of such amendments is amended—

(A) by striking out "experiment" each time it ap-

pears and inserting in lieu thereof "experiment or demonstration project";

(B) by striking out "experiments" and inserting in lieu thereof "experiments and projects"; and

(C) by striking out "reasonable charge" and inserting in lieu thereof "reasonable charge, or to reimbursement or payment only for such services or items as may be specified in the experiment".

(c) Section 1875(b) of the Social Security Act is amended—

(1) by striking out "experimentation" and inserting in lieu thereof "experiments and demonstration projects", and

(2) by inserting "and the experiments and demonstration projects authorized by section 222(a) of the Social Security Amendments of 1971" after "1967".

LIMITATIONS ON COVERAGE OF COSTS UNDER MEDICARE

SEC. 223. (a) The first sentence of section 1861(v)(1) of the Social Security Act is amended by inserting immediately before "determined" where it first appears the following: "the cost actually incurred, excluding therefrom any part of incurred cost found to be unnecessary in the efficient delivery of needed health services, and shall be".

(b) The third sentence of section 1861(v)(1) of such Act is amended by striking out the comma after "services,"

where it last appears and inserting in lieu thereof the following: "may provide for the establishment of limits on the direct or indirect overall incurred costs or incurred costs of specific items or services or groups of items or services to be recognized as reasonable based on estimates of the costs necessary in the efficient delivery of needed health services to individuals covered by the insurance programs established under this title,".

(c) The fourth sentence of section 1861 (v) (1) of such Act is amended by inserting after "services" where it first appears the following: " (excluding therefrom any such costs, including standby costs, which are determined in accordance with regulations to be unnecessary in the efficient delivery of services covered by the insurance programs established under this title) ".

(d) The fourth sentence of section 1861 (v) (1) of such Act is further amended by striking out "costs with respect" where it first appears and inserting in lieu thereof the following: "necessary costs of efficiently delivering covered services".

(e) Section 1866 (a) (2) (B) of such Act is amended (1) by inserting " (i) " after " (B) ", and (2) by adding at the end thereof the following new clause:

" (ii) Where a provider of services customarily furnishes an individual items or services which are more ex-

pensive than the items or services determined to be necessary in the efficient delivery of needed health services under this title and which have not been requested by such individual, such provider may also charge such individual or other person for such more expensive items or services to the extent that the costs of (or, if less, the customary charges for) such more expensive items or services experienced by such provider in the second fiscal period immediately preceding the fiscal period in which such charges are imposed exceed the cost of such items or services determined to be necessary in the efficient delivery of needed health services, but only if—

"(I) the Secretary has provided notice to the public of any charges being imposed on individuals entitled to benefits under this title on account of costs in excess of the costs determined to be necessary in the efficient delivery of needed health services under this title by particular providers of services in the area in which such items or services are furnished, and

"(II) the provider of services has identified such charges to such individual or other person, in such manner as the Secretary may prescribe, as charges to meet costs in excess of the cost determined to be necessary in the efficient delivery of needed health services under this title."

(f) Section 1861 (v) of such Act (as amended by section 221 (c) (4) of this Act) is further amended by redesignating paragraphs (4) and (5) as paragraphs (5) and (6), respectively, and by inserting after paragraph (3) the following new paragraph:

"(4) If a provider of services furnishes items or services to an individual which are in excess of or more expensive than the items or services determined to be necessary in the efficient delivery of needed health services and charges are imposed for such more expensive items or services under the authority granted in section 1866 (a) (2) (B) (ii), the amount of payment with respect to such items or services otherwise due such provider in any fiscal period shall be reduced to the extent that such payment plus such charges exceed the cost actually incurred for such items or services in the fiscal period in which such charges are imposed."

(g) (1) Section 1866 (a) (2) of such Act is amended by inserting after subparagraph (C) the following new subparagraph:

"(D) Where a provider of services customarily furnishes items or services which are in excess of or more expensive than the items or services with respect to which payment may be made under this title, such provider, notwithstanding the preceding provisions of this paragraph, may not, under the authority of section 1866 (a) (2) (B)

(ii), charge any individual or other person any amount for such items or services in excess of the amount of the payment which may otherwise be made for such items or services under this title if the admitting physician has a direct or indirect financial interest in such provider."

(2) The last paragraph of section 1866(a)(2) is amended by striking out "clause (iii) of the preceding sentence" and inserting in lieu thereof "subparagraph (C)".

(h) The amendments made by this section shall be effective with respect to accounting periods beginning after June 30, 1972.

LIMITS ON PREVAILING CHARGE LEVELS

SEC. 224 (a) Section 1842(b)(3) of the Social Security Act is amended by adding at the end thereof the following new sentences: "No charge may be determined to be reasonable in the case of bills submitted or requests for payment made under this part after December 31, 1970, if it exceeds the higher of (i) the prevailing charge recognized by the carrier and found acceptable by the Secretary for similar services in the same locality in administering this part on December 31, 1970, or (ii) the prevailing charge level that, on the basis of statistical data and methodology acceptable to the Secretary, would cover 75 percent of the customary charges made for similar services in the same locality during the last preceding calendar year elapsing prior to the start

of the fiscal year in which the bill is submitted or the request for payment is made. The prevailing charge level determined for purposes of clause (ii) of the preceding sentence for any fiscal year beginning after June 30, 1972, may not exceed (in the aggregate) the level determined under such clause for the fiscal year ending June 30, 1972, except to the extent that the Secretary finds, on the basis of appropriate economic index data, that such higher level is justified by economic changes. In the case of medical services, supplies, and equipment that, in the judgment of the Secretary, do not generally vary significantly in quality from one supplier to another, the charges incurred after June 30, 1972, determined to be reasonable may exceed the lowest charge levels at which such services, supplies, and equipment are widely available in a locality only to the extent and under the circumstances specified by the Secretary."

(b) The Health Insurance Benefits Advisory Council established under section 1867 of the Social Security Act shall conduct a study of the methods of reimbursement for physicians' services under Medicare for the purpose of evaluating their effects on (1) physicians' fees generally, (2) the extent of assignments accepted by physicians, and (3) the share of total physician-fee costs which the Medicare program does not pay and which the beneficiary must assume. The Council shall report the results of such study to

the Congress no later than July 1, 1972, together with a presentation of alternatives to the present methods and its recommendations as to the preferred method.

(c) Section 1903 of such Act is amended by adding at the end thereof (after the new subsections added by section 207(a)(1) of this Act) the following new subsection:

"(i) Payment under the preceding provisions of this section shall not be made with respect to any amount paid for items or services furnished under the plan after June 30, 1971, to the extent that such amount exceeds the charge which would be determined to be reasonable for such items or services under the third, fourth, and fifth sentences of section 1842(b)(3)."

(d) Section 506 of such Act is amended by adding at the end thereof the following new subsection:

"(f) Notwithstanding the preceding provisions of this section, no payment shall be made to any State thereunder with respect to any amount paid for items or services furnished under the plan after June 30, 1971, to the extent that such amount exceeds the charge which would be determined to be reasonable for such items or services under the third, fourth, and fifth sentences of section 1842(b)(3)."

LIMITS ON PAYMENT FOR SKILLED NURSING HOME AND INTERMEDIATE CARE FACILITY SERVICES

SEC. 225. Section 1903 of the Social Security Act is amended by adding at the end thereof (after the new subsection added by section 224(c) of this Act) the following new subsection:

"(j) Notwithstanding the preceding provisions of this section—

"(1) in determining the amount payable to any State with respect to expenditures for skilled nursing home services furnished in any calendar quarter beginning after December 31, 1971, there shall not be included as expenditures under the State plan any amount in excess of the product of (A) the number of inpatient days of skilled nursing home services provided under the State plan in such quarter, and (B) 105 per centum of the average per diem cost of such services for the fourth calendar quarter preceding such calendar quarter; and

"(2) in determining the amount payable to any State with respect to expenditures for intermediate care facility services furnished in any calendar quarter beginning after December 31, 1971, there shall not be included as expenditures under the State plan any amount in ex-

cess of the product of (A) the number of inpatient days of intermediate care facility services provided in such quarter under each of the plans of such State approved under titles I, X, XIV, XVI, and XIX, and (B) 105 per centum of the average per diem cost of such services for the fourth calendar quarter preceding such calendar quarter.

For purposes of determining the amount payable to any State with respect to any quarter under paragraphs (1) and (2), the Secretary may by regulation increase the percentage specified in clause (B) of each such paragraph to the extent necessary to take account of increases in per diem costs which result directly from increases in the Federal minimum wage, or which otherwise result directly from provisions of Federal law enacted (or amendments to Federal law made) after the date of the enactment of the Social Security Amendments of 1971."

PAYMENTS TO HEALTH MAINTENANCE ORGANIZATIONS

SEC. 226. (a) Title XVIII of the Social Security Act is amended by adding at the end thereof the following new section:

"PAYMENTS TO HEALTH MAINTENANCE ORGANIZATIONS

"SEC. 1876. (a) (1) In lieu of amounts which would otherwise be payable pursuant to sections 1814(b) and 1833(a), the Secretary is authorized to determine, by

actuarial methods, as provided in this section, but only with respect to a health maintenance organization with which he has entered into a contract under subsection (i), a prospective per capita rate of payment—

"(A) for services provided under parts A and B for individuals enrolled with such organization pursuant to subsection (e) who are entitled to hospital insurance benefits under part A and enrolled for medical insurance benefits under part B, and

"(B) for services provided under part B for individuals enrolled with such organization pursuant to subsection (e) who are not entitled to benefits under part A but who are enrolled for benefits under part B.

"(2) (A) Each such rate of payment shall be determined annually in accordance with regulations and shall be equal to 95 per centum of the amount that the Secretary estimates (with appropriate adjustments to assure actuarial equivalence) would be payable for services covered under this title (including administrative costs incurred by organizations described in sections 1816 and 1842) if such services were to be furnished by other than health maintenance organizations.

"(B) In order to assure that health maintenance organizations will not be permitted to retain revenues in excess of expenses with respect to such individuals at a rate greater

than that applicable to their other enrollees, any contract with a health maintenance organization under this title shall provide that the Secretary shall require, at such time following the expiration of each accounting period of a health maintenance organization (and in such form and in such detail) as he may prescribe:

"(i) that such organization report to him in a certified public statement the amount retained (as herein defined) and the rate of retention (as herein defined) for the preceding accounting period with respect to (I) individuals enrolled with such organization under this section, considered as a group, and (II) all other individuals enrolled with such organization, considered as a group;

"(ii) that an audit (meeting requirements prescribed by the Secretary) be conducted with respect to any such organization which has a rate of retention with respect to individuals enrolled under this section which is in excess of 90 per centum of such organization's rate of retention with respect to all other individuals enrolled with such organization;

"(iii) that such part of the amount retained by any health maintenance organization with respect to individuals enrolled under this section which is attributable to an excessive rate of retention (as herein defined) shall

be repaid by such organization unless used by it to provide benefits to enrollees under this section in addition to those specified in subsection (c) or to reduce the premium rates charged by such organization to such enrollees pursuant to subsection (g).

For purposes of this section—

"(iv) the term 'amount retained' means the difference between (I) the revenues (irrespective of the source of such revenues) of any health maintenance organization (for any accounting period as defined in regulations) with respect to any group of individuals who are enrolled with such organization and (II) the expenses of such organization (for such accounting period) with respect to such group of individuals;

"(v) the term 'rate of retention' means the ratio of such amount retained to such revenues, expressed as a percentage; and

"(vi) the term 'excessive rate of retention' means (I) any rate of retention of any health maintenance organization with respect to individuals enrolled under this section which is greater than such organization's rate of retention with respect to all other individuals enrolled with such organization, or (II) with respect to any health maintenance organization to which subsection (h) applies, any rate of retention with respect to individuals

enrolled under this section which is greater than a reasonable rate of retention as determined in accordance with regulations, taking into account the rate of retention experienced by comparable organizations with respect to other individuals enrolled with such comparable organizations.

"(3) The payments to health maintenance organizations under this subparagraph with respect to individuals described in subsection (a) (1) (A) shall be made from the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund. The portion of such payment to such an organization for a month to be paid by the latter trust fund shall be equal to 200 percent of the sum of—

"(A) the product of (i) the number of covered enrollees of such organization for such month (as described in paragraph (1)) who have attained age 65, and (ii) the monthly actuarial rate for supplementary medical insurance for such month as determined under section 1839(c) (1), and

"(B) the product of (i) the number of covered enrollees of such organization for such month (as described in paragraph (1)) who have not attained age 65, and (ii) the monthly actuarial rate for supple-

mentary medical insurance for such month as determined under section 1839(c)(4).

The remainder of such payment shall be paid by the former trust fund. For limitation on Federal participation for capital expenditures which are out of conformity with a comprehensive plan of a State or areawide planning agency, see section 1122.

"(b) The term 'health maintenance organization' means a public or private organization which—

"(1) provides, either directly or through arrangements with others, health services to individuals enrolled with such organization under subsection (e) on a per capita prepayment basis;

"(2) provides, either directly or through arrangements with others, to the extent applicable in subsection (c) (through institutions, entities, and persons meeting the applicable requirements of section 1861), all of the services and benefits covered under parts A and B of this title;

"(3) provides physicians' services (A) directly through physicians who are either employees or partners of such organization, or (B) under arrangements with one or more groups of physicians (organized on a group practice or individual practice basis) under which each such group is reimbursed for its services primarily on the

basis of an aggregate fixed sum or on a per capita basis, regardless of whether the individual physician members of any such group are paid on a fee-for-service or other basis;

"(4) demonstrates to the satisfaction of the Secretary proof of financial responsibility and proof of capability to provide comprehensive health care services, including institutional services, efficiently, effectively, and economically;

"(5) except as provided in subsection (h), has at least half of its enrolled members consisting of individuals under age 65;

"(6) assures that the health services required by its members are received promptly and appropriately and that the services that are received measure up to quality standards which it establishes in accordance with regulations; and

"(7) has an open enrollment period at least every year under which it accepts up to the limits of its capacity and without restrictions, except as may be authorized in regulations, individuals who are eligible to enroll under subsection (d) in the order in which they apply for enrollment (unless to do so would result in failure to meet the requirements of paragraph (5)).

"(c) The benefits provided under this section shall consist of—

"(1) in the case of an individual who is entitled to hospital insurance benefits under part A and enrolled for medical insurance benefits under part B—

"(A) entitlement to have payment made on his behalf for all services described in section 1812 and section 1832 which are furnished to him by the health maintenance organization with which he is enrolled pursuant to subsection (e) of this section; and

"(B) entitlement to have payment made by such health maintenance organization to him or on his behalf for such emergency services (as defined in regulations), or such other services as may be determined, in accordance with subsection (f), to be services which the individual was entitled to have furnished by the health maintenance organization, as may be furnished to him by a physician, supplier, or provider of services, other than the health maintenance organization with which he is enrolled; and

"(2) in the case of an individual who is not entitled to hospital insurance benefits under part A but who is enrolled for medical insurance benefits under part

B, entitlement to have payment made for services described in paragraph (1), but only to the extent that such services are also described in section 1832.

"(d) Subject to the provisions of subsection (e), every individual described in subsection (c) shall be eligible to enroll with any health maintenance organization (as defined in subsection (b)) which serves the geographic area in which such individual resides.

"(e) An individual may enroll with a health maintenance organization under this section, and may terminate such enrollment, as may be prescribed by regulations.

"(f) Any individual enrolled with a health maintenance organization under this section who is dissatisfied by reason of his failure to receive without additional cost to him any health service to which he believes he is entitled shall, if the amount in controversy is $100 or more, be entitled to a hearing before the Secretary to the same extent as is provided in section 205(b) and in any such hearing the Secretary shall make such health maintenance organization a party thereto. If the amount in controversy is $1,000 or more, such individual or health maintenance organization shall be entitled to judicial review of the Secretary's final decision after such hearing as is provided in section 205(g).

"(g) (1) If the health maintenance organization provides its enrollees under this section only the services de-

scribed in subsection (c), its premium rate for such enrollees shall not exceed the actuarial value of the deductible and coinsurance which would otherwise be applicable to such enrollees under part A and part B, if they were not enrolled under this section.

"(2) If the health maintenance organization provides to its enrollees under this section services in addition to those described in subsection (c), it shall furnish such enrollees with information on the portion of its premium rate applicable to such additional services. The portion applicable to the services described in subsection (c) may not exceed the actuarial value of the deductible and coinsurance which would otherwise be applicable to such enrollees under part A and part B if they were not enrolled under this section.

"(h) The provisions of paragraph (5) of subsection (b) shall not apply with respect to any health maintenance organization for such period not to exceed three years from the date such organization enters into an agreement with the Secretary pursuant to subsection (i), as the Secretary may permit, but only so long as such organization demonstrates to the satisfaction of the Secretary by the submission of its plans for each year that it is making continuous efforts and progress toward achieving compliance with the provisions of such paragraph (5) within such three-year period.

"(i) (1) The Secretary is authorized to enter into a

contract with any health maintenance organization which undertakes to provide, on a per capita prepayment basis, the services described in section 1832 (and section 1812, in the case of individuals who are entitled to hospital insurance benefits under part A) to individuals enrolled with such organization pursuant to subsection (e).

"(2) Each contract under this section shall be for a term of at least one year, as determined by the Secretary, and may be made automatically renewable from term to term in the absence of notice by either party of intention to terminate at the end of the current term; except that the Secretary may terminate any such contract at any time (after such reasonable notice and opportunity for hearing to the health maintenance organization involved as he may provide in regulations), if he finds that the organization (A) has failed substantially to carry out the contract, (B) is carrying out the contract in a manner inconsistent with the efficient and effective administration of this section, or (C) no longer substantially meets the applicable conditions of subsection (b).

"(3) The effective date of any contract executed pursuant to this subsection shall be specified in such contract pursuant to the regulations.

"(4) Each contract under this section—

"(A) shall provide that the Secretary, or any person or organization designated by him—

"(i) shall have the right to inspect or otherwise evaluate the quality, appropriateness, and timeliness of services performed under such contract; and

"(ii) shall have the right to audit and inspect any books and records of such health maintenance organization which pertain to services performed and determinations of amounts payable under such contract; and

"(B) shall contain such other terms and conditions not inconsistent with this section as the Secretary may find necessary.

"(j) The function vested in the Secretary by subsection (i) may be performed without regard to such provisions of law or of other regulations relating to the making, performance, amendment, or modification of contracts of the United States as the Secretary may determine to be inconsistent with the furtherance of the purposes of this title."

(b) Notwithstanding the provisions of section 1814 and section 1833 of the Social Security Act, any health maintenance organization which has entered into a contract with the Secretary pursuant to section 1876 of such Act shall, for the duration of such contract, be entitled to reimbursement only as provided in section 1876 of such Act for individuals

who are members of such organizations; except that with respect to individuals who were members of such organization prior to January 1, 1972, and who, although eligible to have payment made pursuant to section 1876 of such Act for services rendered to them, chose (in accordance with regulations) not to have such payment made pursuant to such section, the Secretary shall, for a period not to exceed three years commencing on January 1, 1972, pay such organization on the basis of a per capita rate, determined in accordance with the provisions of section 1876(a) of such Act, with appropriate actuarial adjustments to reflect the difference in utilization of out-of-plan services between such individuals and individuals who are enrolled with such organization pursuant to section 1876 of such Act.

(c)(1) Section 1814(a) of such Act is amended by striking out "Except as provided in subsection (d)," and inserting in lieu thereof the following: "Except as provided in subsection (d) and in section 1876,".

(2) Section 1833(a) of such Act is amended by striking out "Subject to" and inserting in lieu thereof the following: "Except as provided in section 1876, and subject to".

(d) The amendments made by this section shall be effective with respect to services provided on or after January 1, 1972.

PAYMENT UNDER MEDICARE FOR SERVICES OF PHYSICIANS RENDERED AT A TEACHING HOSPITAL

SEC. 227. (a) Section 1861 (b) of the Social Security Act is amended by striking out the second sentence and inserting in lieu thereof the following:

"Paragraph (4) shall not apply to services provided in a hospital by—

"(6) an intern or a resident-in-training under a teaching program approved by the Council on Medical Education of the American Medical Association or, in the case of an osteopathic hospital, approved by the Committee on Hospitals of the Bureau of Professional Education of the American Osteopathic Association, or, in the case of services in a hospital or osteopathic hospital by an intern or resident-in-training in the field of dentistry, approved by the Council on Dental Education of the American Dental Association; or

"(7) a physician where the hospital has a teaching program approved as specified in paragraph (6), unless (A) such inpatient is a private patient (as defined in regulations), or (B) the hospital establishes that during the two-year period ending December 31, 1967, and each year thereafter all inpatients have been regularly billed by the hospital for services rendered by physicians and reasonable efforts have been made to

collect in full from all patients and payment of reasonable charges (including applicable deductibles and coinsurance) has been regularly collected in full or in substantial part from at least 50 percent of all inpatients."

(b) (1) So much of section 1814(a) of such Act as precedes paragraph (1) (as amended by section 226(c)(1) of this Act) is further amended by striking out "subsection (d)" and inserting in lieu thereof "subsections (d) and (g)".

(2) Section 1814 is further amended by adding at the end thereof the following new subsection:

"Payment for Services of a Physician Rendered in a Teaching Hospital

"(g) For purposes of services for which the reasonable cost thereof is determined under section 1861(v)(1)(D), payment under this part shall be made to such fund as may be designated by the organized medical staff of the hospital in which such services were furnished or, if such services were furnished in such hospital by the faculty of a medical school, to such fund as may be designated by such faculty, but only if—

"(1) such hospital has an agreement with the Secretary under section 1866, and

"(2) the Secretary has received written assurances that (A) such payment will be used by such fund solely

for the improvement of care of hospital patients or for educational or charitable purposes and (B) the individuals who were furnished such services or any other persons will not be charged for such services (or if charged, provision will be made for return of any moneys incorrectly collected)."

(c) Section 1861 (v) (1) of such Act (as amended by section 223 of this Act) is amended—

(1) by inserting "(A)" after "(1)";

(2) by striking out "(A) take" and "(B) provide" in the fourth sentence and inserting in lieu thereof "(i) take" and "(ii) provide", respectively;

(3) by inserting "(B)" immediately preceding "Such regulations in the case of extended care services"; and

(4) by adding at the end thereof the following new subparagraphs:

"(C) Where a hospital has an arrangement with a medical school under which the faculty of such school provides services at such hospital, an amount not in excess of the reasonable cost of such services to the medical school shall be included in determining the reasonable cost to the hospital of furnishing services—

"(i) for which payment may be made under part A, but only if

"(I) payment for such services as furnished under such arrangement would be made under part A to the hospital had such services been furnished by the hospital, and

"(II) such hospital pays to the medical school at least the reasonable cost of such services to the medical school, or

"(ii) for which payment may be made under part B, but only if such hospital pays to the medical school at least the reasonable cost of such services to the medical school.

"(D) Where (i) physicians furnish services which are either inpatient hospital services (including services in conjunction with the teaching programs of such hospital) by reason of paragraph (7) of subsection (b) or for which entitlement exists by reason of clause (II) of section 1832 (a) (2) (B) (i) and (ii) such hospital (or medical school under arrangement with such hospital) incurs no actual cost in the furnishing of such services, the reasonable cost of such services shall (under regulations of the Secretary) be deemed to be the cost

such hospital or medical school would have incurred had it paid a salary to such physicians rendering such services approximately equivalent to the average salary paid to all physicians employed by such hospital (or if such employment does not exist, or is minimal in such hospital, by similar hospitals in a geographic area of sufficient size to assure reasonable inclusion of sufficient physicians in development of such average salary)."

(d) (1) Section 1861 (u) of such Act is amended by inserting before the period at the end thereof the following: ", or, for purposes of section 1814 (g) and section 1835 (e), a fund".

(2) So much of section 1866 (a) (1) of such Act as precedes subparagraph (A) is amended by inserting "(except a fund designated for purposes of section 1814 (g) and section 1835 (e))" after "provider of services".

(e) (1) Section 1832 (a) (2) (B) of such Act is amended to read as follows:

"(B) medical and other health services furnished by a provider of services or by others under arrangements with them made by a provider of services, excluding—

"(i) physician services except where furnished by—

"(I) a resident or intern of a hospital, or

"(II) a physician to a patient in a hospital which has a teaching program approved as specified in paragraph (6) of section 1861(b) (including services in conjunction with the teaching programs of such hospital whether or not such patient is an inpatient of such hospital), unless either clause (A) or (B) of paragraph (7) of such section is met, and

"(ii) services for which payment may be made pursuant to section 1835(b)(2); and".

(2)(A) So much of section 1835(a) of such Act as precedes paragraph (1) is amended by striking out "subsections (b) and (c)," and inserting in lieu thereof "subsections (b), (c), and (e),".

(B) Section 1835 of such Act is further amended by adding at the end thereof the following new subsection:

"(e) For purposes of services (1) which are inpatient hospital services by reason of paragraph (7) of section 1861(b) or for which entitlement exists by reason of clause (II) of section 1832(a)(2)(B)(i), and (2) for which the reasonable cost thereof is determined under section 1861(v)(1)(D), payment under this part shall be made to such

fund as may be designated by the organized medical staff of the hospital in which such services were furnished or, if such services were furnished in such hospital by the faculty of a medical school, to such fund as may be designated by such faculty, but only if—

"(1) such hospital has an agreement with the Secretary under section 1866, and

"(2) the Secretary has received written assurances that such payment will be used by such fund solely for the improvement of care to patients in such hospital or for educational or charitable purposes and (B) the individuals who were furnished such services or any other persons will not be charged for such services (or if charged provision will be made for return for any moneys incorrectly collected)."

(3) Section 1842(a) of such Act is amended by inserting after "which involve payments for physicians' services" the following: "on a reasonable charge basis".

(f) Section 1861(q) of such Act is amended by striking out the parenthetical phrase "(but not including services described in the last sentence of subsection (b))" and inserting in lieu thereof "(but not including services described in subsection (b)(6))".

(g) The amendments made by this section shall apply

with respect to accounting periods beginning after June 30, 1971.

ADVANCE APPROVAL OF EXTENDED CARE AND HOME HEALTH COVERAGE UNDER MEDICARE

SEC. 228. (a) Section 1814 of the Social Security Act (as amended by section 227 (b) (2) of this Act) is amended by adding at the end thereof the following new subsections:

"Payment for Posthospital Extended Care Services

"(h) (1) An individual shall be presumed to require the care specified in subsection (a) (2) (C) of this section for purposes of making payment to an extended care facility (subject to the provisions of section 1812) for posthospital extended care services which are furnished by such facility to such individual if—

"(A) the certification referred to in subsection (a) (2) (C) of this section is submitted prior to or at the time of admission of such individual to such extended care facility,

"(B) such certification states that the medical condition of the individual is a condition designated in regulations,

"(C) such certification is accompanied by a plan of treatment for providing such services, and

"(D) there is compliance with such other requirements and procedures as may be specified in regulations,

but only for services furnished during such limited periods of time with respect to such conditions of the individual as may be prescribed in regulations by the Secretary, taking into account the medical severity of such conditions, the degree of incapacity, and the minimum length of stay in an institution generally needed for such conditions, and such other factors affecting the type of care to be provided as the Secretary deems pertinent.

"(2) If the Secretary determines with respect to a physician that such physician is submitting with some frequency (A) erroneous certifications that individuals have conditions designated in regulations as provided in this subsection or (B) plans for providing services which are inappropriate, the provisions of paragraph (1) shall not apply, after the effective date of such determination, in any case in which such physician submits a certification or plan referred to in subparagraph (A), (B), or (C) of paragraph (1).

"Payment for Posthospital Home Health Services

"(i) (1) An individual shall be presumed to require the services specified in subsection (a) (2) (D) of this section for purposes of making payment to a home health agency (subject to the provisions of section 1812) for posthospital home health services furnished by such agency to such individual if—

"(A) the certification and plan referred to in subsection (a) (2) (D) of this section are submitted in timely fashion prior to the first visit by such agency,

"(B) such certification states that the medical condition of the individual is a condition designated in regulations, and

"(C) there is compliance with such other requirements and procedures as may be specified in regulations,

but only for services furnished during such limited numbers of visits with respect to such conditions of the individual as may be prescribed in regulations by the Secretary, taking into account the medical severity of such conditions, the degree of incapacity, and the minimum period of home confinement generally needed for such conditions, and such other factors affecting the type of care to be provided as the Secretary deems pertinent.

"(2) If the Secretary determines with respect to a physician that such physician is submitting with some frequency (A) erroneous certifications that individuals have conditions designated in regulations as provided in this subsection or (B) plans for providing services which are inappropriate, the provisions of paragraph (1) shall not apply, after the effective date of such determination, in any case in which such physician submits a certification or plan referred to in subparagraph (A) or (B) of paragraph (1)."

(b) The amendment made by subsection (a) shall be effective with respect to admissions to extended care facilities, and home health plans initiated, on or after January 1, 1972.

AUTHORITY OF SECRETARY TO TERMINATE PAYMENTS TO SUPPLIERS OF SERVICES

SEC. 229. (a) Section 1862 of the Social Security Act (as amended by section 210 of this Act) is further amended by adding at the end thereof the following new subsection:

"(d) (1) No payment may be made under this title with respect to any item or services furnished to an individual by a person where the Secretary determines under this subsection that such person—

"(A) has knowingly and willfully made, or caused to be made, any false statement or representation of a material fact for use in an application for payment under this title or for use in determining the right to a payment under this title;

"(B) has submitted or caused to be submitted (except in the case of a provider of services), bills or requests for payment under this title containing charges (or in applicable cases requests for payment of costs to such person) for services rendered which the Secretary finds, with the concurrence of the appropriate program review team appointed pursuant to paragraph (4), to be substantially in excess of such person's customary

charges (or in applicable cases substantially in excess of such person's costs) for such services, unless the Secretary finds there is good cause for such bills or requests containing such charges (or in applicable cases, such costs); or

"(C) has furnished services or supplies which are determined by the Secretary, with the concurrence of the members of the appropriate program review team appointed pursuant to paragraph (4) who are physicians or other professional personnel in the health care field, to be substantially in excess of the needs of individuals or to be harmful to individuals or to be of a grossly inferior quality.

"(2) A determination made by the Secretary under this subsection shall be effective at such time and upon such reasonable notice to the public and to the person furnishing the services involved as may be specified in regulations. Such determination shall be effective with respect to services furnished to an individual on or after the effective date of such determination (except that in the case of inpatient hospital services, posthospital extended care services, and home health services such determination shall be effective in the manner provided in section 1866(b) (3) and (4) with respect to terminations of agreements), and shall remain in effect until the Secretary finds and gives reasonable notice

to the public that the basis for such determination has been removed and that there is reasonable assurance that it will not recur.

"(3) Any person furnishing services described in paragraph (1) who is dissatisfied with a determination made by the Secretary under this subsection shall be entitled to reasonable notice and opportunity for a hearing thereon by the Secretary to the same extent as is provided in section 205(b), and to judicial review of the Secretary's final decision after such hearing as is provided in section 205(g).

"(4) For the purposes of paragraph (1) (B) and (C) of this subsection, and clause (F) of section 1866(b)(2), the Secretary shall, after consultation with appropriate State and local professional societies, the appropriate carriers and intermediaries utilized in the administration of this title, and consumer representatives familiar with the health needs of residents of the State, appoint one or more program review teams (composed of physicians, other professional personnel in the health care field, and consumer representatives) in each State which shall, among other things—

"(A) undertake to review such statistical data on program utilization as may be submitted by the Secretary,

"(B) submit to the Secretary periodically, as may be prescribed in regulations, a report on the results of

such review, together with recommendations with respect thereto,

"(C) undertake to review particular cases where there is a likelihood that the person or persons furnishing services and supplies to individuals may come within the provisions of paragraph (1) (B) and (C) of this subsection or clause (F) of section 1866(b) (2), and

"(D) submit to the Secretary periodically, as may be prescribed in regulations, a report of cases reviewed pursuant to subparagraph (C) along with an analysis of, and recommendations with respect to, such cases."

(b) Section 1866(b) (2) of such Act is amended by striking out the period at the end thereof and inserting in lieu thereof the following: ", or (D) that such provider has made, or caused to be made, any false statement or representation of a material fact for use in an application for payment under this title or for use in determining the right to a payment under this title, or (E) that such provider has submitted, or caused to be submitted, requests for payment under this title of amounts for rendering services substantially in excess of the costs incurred by such provider for rendering such services, or (F) that such provider has furnished services or supplies which are determined by the Secretary, with the concurrence of the members of the appropriate program review team appointed pursuant to sec-

tion 1862(d) (4) who are physicians or other professional personnel in the health care field, to be substantially in excess of the needs of individuals or to be harmful to individuals or to be of a grossly inferior quality."

(c) Section 1903(i) of such Act (as added by section 224(c) of this Act) is further amended by striking out "shall not be made" and all that follows and inserting in lieu thereof the following: "shall not be made—

"(1) with respect to any amount paid for items or services furnished under the plan after June 30, 1971, to the extent that such amount exceeds the charge which would be determined to be reasonable for such items or services under the fourth and fifth sentences of section 1842(b) (3); or

"(2) with respect to any amount paid for services furnished under the plan after June 30, 1971, by a provider or other person during any period of time, if payment may not be made under title XVIII with respect to services furnished by such provider or person during such period of time solely by reason of a determination by the Secretary under section 1862(d) (1) or under clause (D), (E), or (F) of section 1866(b) (2)."

(d) Section 506(f) of such Act (as added by section 224(d) of this Act) is further amended by striking out "no payment shall be made" and all that follows and inserting in

lieu thereof the following: "no payment shall be made to any State thereunder—

"(1) with respect to any amount paid for items or services furnished under the plan after June 30, 1971, to the extent that such amount exceeds the charge which would be determined to be reasonable for such items or services under the fourth and fifth sentences of section 1842(b)(3); or

"(2) with respect to any amount paid for services furnished under the plan after June 30, 1971, by a provider or other person during any period of time, if payment may not be made under title XVIII with respect to services furnished by such provider or person during such period of time solely by reason of a determination by the Secretary under section 1862(d)(1) or under clause (D), (E), or (F) of section 1866(b)(2)."

ELIMINATION OF REQUIREMENT THAT STATES MOVE TOWARD COMPREHENSIVE MEDICAID PROGRAMS

SEC. 230. Section 1903(e) of the Social Security Act, and section 2(b) of Public Law 91-56 (approved August 9, 1969), are repealed.

REDUCTIONS IN CARE AND SERVICES UNDER MEDICAID

SEC. 231. Section 1902(d) of the Social Security Act is amended—

(1) by inserting "required to be included pursuant

to subsection (a) (13) and" after "extent of the care and services" in the matter preceding paragraph (1);

(2) by striking out "or to terminate any of such care and services,"; and

(3) by inserting "with respect to care and services required to be included pursuant to subsection (a) (13)" after "under the plan" in paragraph (1).

DETERMINATION OF REASONABLE COST OF INPATIENT HOSPITAL SERVICES UNDER MEDICAID AND UNDER MATERNAL AND CHILD HEALTH PROGRAM

SEC. 232. (a) Section 1902 (a) (13) (D) of the Social Security Act is amended to read as follows:

"(D) for payment of the reasonable cost of inpatient hospital services provided under the plan, as determined in accordance with methods and standards which shall be developed by the State and included in the plan, except that the reasonable cost of any such services as determined under such methods and standards shall not exceed the amount which would be determined under section 1861 (v) as the reasonable cost of such services for purposes of title XVIII;".

(b) Section 505 (a) (6) of such Act is amended to read as follows:

"(6) provides for payment of the reasonable cost of

inpatient hospital services provided under the plan, as determined in accordance with methods and standards which shall be developed by the State and included in the plan, except that the reasonable cost of any such services as determined under such methods and standards shall not exceed the amount which would be determined under section 1861 (v) as the reasonable cost of such services for purposes of title XVIII;".

(c) The amendments made by this section shall be effective July 1, 1972 (or earlier if the State plan so provides).

AMOUNT OF PAYMENTS WHERE CUSTOMARY CHARGES FOR SERVICES FURNISHED ARE LESS THAN REASONABLE COST

SEC. 233. (a) Section 1814 (b) of the Social Security Act is amended to read as follows:

"Amount Paid to Providers

"(b) The amount paid to any provider of services with respect to services for which payment may be made under this part shall, subject to the provisions of section 1813, be—

"(1) the lesser of (A) the reasonable cost of such services, as determined under section 1861 (v), or (B) the customary charges with respect to such services; or

"(2) if such services are furnished by a public

provider of services free of charge or at nominal charges to the public, the amount determined on the basis of those items (specified in regulations prescribed by the Secretary) included in the determination of such reasonable cost which the Secretary finds will provide fair compensation to such provider for such services."

(b) Section 1833 (a) (2) of such Act is amended to read as follows:

"(2) in the case of services described in section 1832 (a) (2)—80 percent of—

"(A) the lesser of (i) the reasonable cost of such services, as determined under section 1861 (v), or (ii) the customary charges with respect to such services; or

"(B) if such services are furnished by a public provider of services free of charge or at nominal charges to the public, the amount determined in accordance with section 1814 (b) (2)."

(c) Section 1903 (i) of such Act (as added by section 224 (c) and amended by section 229 (c) of this Act) is further amended by striking out the period at the end of paragraph (2) and inserting in lieu thereof "; or", and by adding after paragraph (2) the following new paragraph:

"(3) with respect to any amount expended for inpatient hospital services furnished under the plan to the

extent that such amount exceeds the hospital's customary charges with respect to such services or (if such services are furnished under the plan by a public institution free of charge or at nominal charges to the public) exceeds an amount determined on the basis of those items (specified in regulations prescribed by the Secretary) included in the determination of such payment which the Secretary finds will provide fair compensation to such institution for such services."

(d) Section 506(f) of such Act (as added by section 224(d) and amended by section 229(d) of this Act) is further amended by striking out the period at the end of paragraph (2) and inserting in lieu thereof "; or", and by adding after paragraph (2) the following new paragraph:

"(3) with respect to any amount expended for inpatient hospital services furnished under the plan to the extent that such amount exceeds the hospital's customary charges with respect to such services or (if such services are furnished under the plan by a public institution free of charge or at nominal charges to the public) exceeds an amount determined on the basis of those items (specified in regulations prescribed by the Secretary) included in the determination of such payment which the Secretary finds will provide fair compensation to such institution for such services."

(e) Clause (2) of the second sentence of section 509 (a) of such Act (as amended by section 221 (c) (3) of this Act) is further amended by inserting "(A)" before "the reasonable cost", and by inserting after "under the project," the following: "or (B) if less, the customary charges with respect to such services provided under the project, or (C) if such services are furnished under the project by a public institution free of charge or at nominal charges to the public, an amount determined on the basis of those items (specified in regulations prescribed by the Secretary) included in the determination of such reasonable cost which the Secretary finds will provide fair compensation to such institution for such services".

(f) The amendments made by subsections (a) and (b) shall apply to services furnished by hospitals, extended care facilities, and home health agencies in accounting periods beginning after June 30, 1971. The amendments made by subsections (c), (d), and (e) shall apply with respect to services furnished by hospitals in accounting periods beginning after June 30, 1971.

INSTITUTIONAL PLANNING UNDER MEDICARE

SEC. 234. (a) The first sentence of section 1861 (e) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (7);

(2) by redesignating paragraph (8) as paragraph (9); and

(3) by inserting after paragraph (7) the following new paragraph:

"(8) has in effect an overall plan and budget that meets the requirements of subsection (z); and".

(b) Section 1861(f)(2) of such Act is amended to read as follows:

"(2) satisfies the requirements of paragraphs (3) through (9) of subsection (e);".

(c) Section 1861(g)(2) of such Act is amended to read as follows:

"(2) satisfies the requirements of paragraphs (3) through (9) of subsection (e);".

(d) The first sentence of section 1861(j) of such Act is amended—

(1) by striking out "and" at the end of paragraph (9);

(2) by redesignating paragraph (10) as paragraph (11); and

(3) by inserting after paragraph (9) the following new paragraph:

"(10) has in effect an overall plan and budget that meets the requirements of subsection (z); and".

(e) Section 1861(o) of such Act is amended—

(1) by striking out "and" at the end of paragraph (4);

(2) by redesignating paragraph (5) as paragraph (6); and

(3) by inserting after paragraph (4) the following new paragraph:

"(5) has in effect an overall plan and budget that meets the requirements of subsection (z); and".

(f) Section 1861 of such Act is further amended by adding at the end thereof the following new subsection:

"Institutional Planning

"(z) An overall plan and budget of a hospital, extended care facility, or home health agency shall be considered sufficient if it—

"(1) provides for an annual operating budget which includes all anticipated income and expenses related to items which would, under generally accepted accounting principles, be considered income and expense items (except that nothing in this paragraph shall require that there be prepared, in connection with any budget, an item-by-item identification of the components of each type of anticipated expenditure or income);

"(2) provides for a capital expenditures plan for at least a 3-year period (including the year to which the operating budget described in subparagraph (1) is ap-

plicable) which includes and identifies in detail the anticipated sources of financing for, and the objectives of, each anticipated expenditure in excess of $100,000 related to the acquisition of land, the improvement of land, buildings, and equipment, and the replacement, modernization, and expansion of the buildings and equipment which would, under generally accepted accounting principles, be considered capital items;

"(3) provides for review and updating at least annually; and

"(4) is prepared, under the direction of the governing body of the institution or agency, by a committee consisting of representatives of the governing body, the administrative staff, and the medical staff (if any) of the institution or agency."

(g) (1) Section 1814(a) (2) (C) and section 1814 (a) (2) (D) of such Act are each amended by striking out "and (8)" and inserting in lieu thereof "and (9)".

(2) Section 1863 of such Act is amended by striking out "subsections (e) (8), (f) (4), (g) (4), (j) (10), and (o) (5)" and inserting in lieu thereof "subsections (e) (9), (f) (4), (g) (4), (j) (11), and (o) (6)".

(h) Section 1865 of such Act is amended—

(1) by striking out "(except paragraph (6) thereof)" in the first sentence and inserting in lieu

thereof "(except paragraphs (6) and (8) thereof)", and

(2) by striking out the second sentence and inserting in lieu thereof the following: "If such Commission, as a condition for accreditation of a hospital, (1) requires a utilization review plan as defined in section 1861(k) or imposes another requirement which serves substantially the same purpose, or (2) requires institutional plans as defined in section 1861(z) or imposes another requirement which serves substantially the same purpose, the Secretary is authorized to find that all institutions so accredited by the Commission comply also with section 1861(e)(6) or 1861(e)(8), as the case may be."

(i) The amendments made by this section shall apply with respect to any provider of services for fiscal years (of such provider) beginning after the fifth month following the month in which this Act is enacted.

PAYMENTS TO STATES UNDER MEDICAID FOR INSTALLATION AND OPERATION OF CLAIMS PROCESSING AND INFORMATION RETRIEVAL SYSTEMS

SEC. 235. (a) Section 1903(a) of the Social Security Act is amended by redesignating paragraph (3) as paragraph (4), and by inserting after paragraph (2) the following new paragraph:

"(3) an amount equal to—

"(A) (i) 90 per centum of so much of the sums expended during such quarter as are attributable to the design, development, or installation of such mechanized claims processing and information retrieval systems as the Secretary determines are likely to provide more efficient, economical, and effective administration of the plan and to be compatible with the claims processing and information retrieval systems utilized in the administration of title XVIII, including the State's share of the cost of installing such a system to be used jointly in the administration of such State's plan and the plan of any other State approved under this title, and

"(ii) 90 per centum of so much of the sums expended during any such quarter in the fiscal year ending June 30, 1972, or the fiscal year ending June 30, 1973, as are attributable to the design, development, or installation of cost determination systems for State-owned general hospitals (except that the total amount paid to all States under this clause for either such fiscal year shall not exceed $150,000), and

"(B) 75 per centum of so much of the sums expended during such quarter as are attributable to

the operation of systems of the type described in subparagraph (A) (i) (whether or not designed, developed, or installed with assistance under such subparagraph) which are approved by the Secretary and which include provision for prompt written notice to each individual who is furnished services covered by the plan of the specific services so covered, the name of the person or persons furnishing the services, the date or dates on which the services were furnished, and the amount of the payment or payments made under the plan on account of the services; plus".

(b) The amendments made by subsection (a) shall apply with respect to expenditures under State plans approved under title XIX of the Social Security Act made after June 30, 1971.

PROHIBITION AGAINST REASSIGNMENT OF CLAIMS TO BENEFITS

SEC. 236. (a) Section 1842 (b) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(5) No payment under this part for a service provided to any individual shall (except as provided in section 1870) be made to anyone other than such individual or (pursuant to an assignment described in subparagraph (B) (ii) of

paragraph (3)) the physician or other person who provided the service, except that payment may be made (A) to the employer of such physician or other person if such physician or other person is required as a condition of his employment to turn over his fee for such service to his employer, or (B) (where the service was provided in a hospital, clinic, or other facility) to the facility in which the service was provided if there is a contractual arrangement between such physician or other person and such facility under which such facility submits the bill for such service."

(b) Section 1902 (a) of such Act is amended—

(1) by striking out "and" at the end of paragraph (29);

(2) by striking out the period at the end of paragraph (30) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (30) the following new paragraph:

"(31) provide that no payment under the plan for any care or service provided to an individual by a physician, dentist, or other individual practitioner shall be made to anyone other than such individual or such physician, dentist, or practitioner, except that payment may be made (A) to the employer of such physician, dentist, or practitioner if such physician, dentist, or practitioner is required as a condition of his employment to turn over

his fee for such care or service to his employer, or (B) (where the care or service was provided in a hospital, clinic, or other facility) to the facility in which the care or service was provided if there is a contractual arrangement between such physician, dentist, or practitioner and such facility under which such facility submits the bill for such care or service."

(c) The amendment made by subsection (a) shall apply with respect to bills submitted and requests for payments made after the date of the enactment of this Act. The amendments made by subsection (b) shall be effective July 1, 1972 (or earlier if the State plan so provides).

UTILIZATION REVIEW REQUIREMENTS FOR HOSPITALS AND SKILLED NURSING HOMES UNDER MEDICAID AND UNDER MATERNAL AND CHILD HEALTH PROGRAM

SEC. 237. (a) (1) Section 1903 (i) of the Social Security Act (as added by section 224 (c) and amended by sections 229 (c) and 233 (c) of this Act) is further amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; or", and by adding after paragraph (3) the following new paragraph:

"(4) with respect to any amount expended for care or services furnished under the plan by a hospital or skilled nursing home unless such hospital or skilled nursing home has in effect a utilization review plan which

meets the requirements imposed by section 1861 (k) for purposes of title XVIII; and if such hospital or skilled nursing home has in effect such a utilization review plan for purposes of title XVIII, such plan shall serve as the plan required by this subsection (with the same standards and procedures and the same review committee or group) as a condition of payment under this title."

(2) Section 1902 (a) (30) of such Act is amended by inserting "(including but not limited to utilization review plans as provided for in section 1903 (i) (4))" after "plan" where it first appears.

(b) Section 506 (f) of such Act (as added by section 224 (d) and amended by sections 229 (d) and 233 (d) of this Act) is further amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; or", and by adding after paragraph (3) the following new paragraph:

"(4) with respect to any amount expended for services furnished under the plan by a hospital unless such hospital has in effect a utilization review plan which meets the requirement imposed by section 1861 (k) for purposes of title XVIII; and if such hospital has in effect such a utilization review plan for purposes of title XVIII, such plan shall serve as the plan required by this subsection (with the same standards and procedures

and the same review committee or group) as a condition of payment under this title."

(c) (1) The amendments made by subsections (a) (1) and (b) shall apply with respect to services furnished in calendar quarters beginning after June 30, 1972.

(2) The amendment made by subsection (a) (2) shall be effective July 1, 1972.

NOTIFICATION OF UNNECESSARY ADMISSION TO A HOSPITAL OR EXTENDED CARE FACILITY UNDER MEDICARE

SEC. 238. (a) Section 1814 (a) (7) of the Social Security Act is amended by striking out "as described in section 1861 (k) (4)" and inserting in lieu thereof "as described in section 1861 (k) (4), including any finding made in the course of a sample or other review of admissions to the institution".

(b) The amendment made by subsection (a) shall apply with respect to services furnished after the second month following the month in which this Act is enacted.

USE OF STATE HEALTH AGENCY TO PERFORM CERTAIN FUNCTIONS UNDER MEDICAID AND UNDER MATERNAL AND CHILD HEALTH PROGRAM

SEC. 239. (a) Section 1902 (a) (9) of the Social Security Act is amended to read as follows:

"(9) provide—

"(A) that the State health agency, or other

appropriate State medical agency (whichever is utilized by the Secretary for the purpose specified in the first sentence of section 1864(a)), shall be responsible for establishing and maintaining health standards for private or public institutions in which recipients of medical assistance under the plan may receive care or services, and

"(B) for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards, other than those relating to health, for such institutions;".

(b) Section 1902(a) of such Act (as amended by section 236(b) of this Act) is further amended—

(1) by striking out "and" at the end of paragraph (30);

(2) by striking out the period at the end of paragraph (31) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (31) the following new paragraph:

"(32) provide—

"(A) that the State health agency, or other appropriate State medical agency, shall be responsible for establishing a plan, consistent with regulations prescribed by the Secretary, for the

review by appropriate professional health personnel of the appropriateness and quality of care and services furnished to recipients of medical assistance under the plan in order to provide guidance with respect thereto in the administration of the plan to the State agency established or designated pursuant to paragraph (5) and, where applicable, to the State agency described in the last sentence of this subsection; and

"(B) that the State or local agency utilized by the Secretary for the purpose specified in the first sentence of section 1864(a), or, if such agency is not the State agency which is responsible for licensing health institutions, the State agency responsible for such licensing, will perform for the State agency administering or supervising the administration of the plan approved under this title the function of determining whether institutions and agencies meet the requirements for participation in the program under such plan."

(c) Section 505(a) of such Act is amended—

(1) by striking out "and" at the end of paragraph (13);

(2) by striking out the period at the end of paragraph (14) and inserting in lieu thereof "; and"; and

(3) by adding after paragraph (14) the following new paragraph:

"(15) provides—

"(A) that the State health agency, or other appropriate State medical agency, shall be responsible for establishing a plan, consistent with regulations prescribed by the Secretary, for the review by appropriate professional health personnel of the appropriateness and quality of care and services furnished to recipients of services under the plan and, where applicable, for providing guidance with respect thereto to the other State agency referred to in paragraph (2); and

"(B) that the State or local agency utilized by the Secretary for the purpose specified in the first sentence of section 1864(a), or, if such agency is not the State agency which is responsible for licensing health institutions, the State agency responsible for such licensing, will perform the function of determining whether institutions and agencies meet the requirements for participation in the program under the plan under this title."

(d) The amendments made by this section shall be effective July 1, 1972 (or earlier if the State plan so provides).

RELATIONSHIP BETWEEN MEDICAID AND COMPREHENSIVE HEALTH CARE PROGRAMS

SEC. 240. Section 1902 (a) (23) of the Social Security Act is amended by adding after the semicolon at the end thereof the following: "and a State plan shall not be deemed to be out of compliance with the requirements of this paragraph or paragraph (1) or (10) solely by reason of the fact that the State (or any political subdivision thereof) has entered into a contract with an organization which has agreed to provide care and services in addition to those offered under the State plan to individuals eligible for medical assistance who reside in the geographic area served by such organization and who elect to obtain such care and services from such organization;".

PROGRAM FOR DETERMINING QUALIFICATIONS FOR CERTAIN HEALTH CARE PERSONNEL

SEC. 241. Title XI of the Social Security Act is amended by adding after section 1122 (as added by section 221 (a) of this Act) the following new section:

"PROGRAM FOR DETERMINING QUALIFICATIONS FOR CERTAIN HEALTH CARE PERSONNEL

"SEC. 1123. (a) The Secretary, in carrying out his functions relating to the qualifications for health care personnel under title XVIII, shall develop (in consultation with appropriate professional health organizations and State health

and licensure agencies) and conduct (in conjunction with State health and licensure agencies) a program designed to determine the proficiency of individuals (who do not otherwise meet the formal educational, professional membership, or other specific criteria established for determining the qualifications of practical nurses, therapists, laboratory technicians and technologists, X-ray technicians, psychiatric technicians, or other health care technicians) to perform the duties and functions of practical nurses, therapists, laboratory technicians and technologists, X-ray technicians, psychiatric technicians, or other health care technicians. Such program shall include (but not be limited to) the employment of procedures for the formal testing of the proficiency of individuals. In the conduct of such program, no individual who otherwise meets the proficiency requirements for any health care specialty shall be denied a satisfactory proficiency rating solely because of his failure to meet formal educational or professional membership requirements.

"(b) If any individual has been determined, under the program established pursuant to subsection (a), to be qualified to perform the duties and functions of any health care specialty, no person or provider utilizing the services of such individual to perform such duties and functions shall be denied payment, under title XVIII or under any State plan approved under title XIX, for any health care services pro-

vided by such person on the grounds that such individual is not qualified to perform such duties and functions."

PENALTIES FOR FRAUDULENT ACTS AND FALSE REPORTING UNDER MEDICARE AND MEDICAID

SEC. 242. (a) Section 1872 of the Social Security Act is amended by striking out "208,".

(b) Title XVIII of the Social Security Act is amended by adding at the end thereof (after the new section added by section 226 (a) of this Act) the following new section:

"PENALTIES

"SEC. 1877. (a) Whoever—

"(1) knowingly and willfully makes or causes to be made any false statement or representation of a material fact in any application for any benefit or payment under this title,

"(2) at any time knowingly and willfully makes or causes to be made any false statement or representation of a material fact for use in determining rights to any such benefit or payment,

"(3) having knowledge of the occurrence of any event affecting (A) his initial or continued right to any such benefit or payment, or (B) the initial or continued right to any such benefit or payment of any other individual in whose behalf he has applied for or is receiving such benefit or payment, conceals or fails to disclose

such event with an intent fraudulently to secure such benefit or payment either in a greater amount or quantity than is due or when no such benefit or payment is authorized, or

"(4) having made application to receive any such benefit or payment for the use and benefit of another and having received it, knowingly and willfully converts such benefit or payment or any part thereof to a use other than for the use and benefit of such other person,

shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $10,000 or imprisoned for not more than one year, or both.

"(b) Any provider of services, supplier, physician, or other person who furnishes items or services to an individual for which payment is or may be made under this title and who solicits, offers, or receives any—

"(1) kickback or bribe in connection with the furnishing of such items or services or the making or receipt of such payment, or

"(2) rebate of any fee or charge for referring any such individual to another person for the furnishing of such items or services,

shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $10,000 or imprisoned for not more than one year, or both.

"(c) Whoever knowingly and willfully makes or causes to be made, or induces or seeks to induce the making of, any false statement or representation of a material fact with respect to the conditions or operation of any institution or facility in order that such institution or facility may qualify as a hospital, extended care facility, or home health agency (as those terms are defined in section 1861), shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $2,000 or imprisoned for not more than 6 months, or both."

(c) Title XIX of such Act is amended by adding after section 1908 the following new section:

"PENALTIES

"SEC. 1909. (a) Whoever—

"(1) knowingly and willfully makes or causes to be made any false statement or representation of a material fact in any application for any benefit or payment under a State plan approved under this title,

"(2) at any time knowingly and willfully makes or causes to be made any false statement or representation of a material fact for use in determining rights to such benefit or payment,

"(3) having knowledge of the occurrence of any event affecting (A) his initial or continued right to any such benefit or payment, or (B) the initial or continued

right to any such benefit or payment of any other individual in whose behalf he has applied for or is receiving such benefit or payment, conceals or fails to disclose such event with an intent fraudulently to secure such benefit or payment either in a greater amount or quantity than is due or when no such benefit or payment is authorized, or

"(4) having made application to receive any such benefit or payment for the use and benefit of another and having received it, knowingly and willfully converts such benefit or payment or any part thereof to a use other than for the use and benefit of such other person,

shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $10,000 or imprisoned for not more than one year, or both.

"(b) Whoever furnishes items or services to an individual for which payment is or may be made in whole or in part out of Federal funds under a State plan approved under this title and who solicits, offers, or receives any—

"(1) kickback or bribe in connection with the furnishing of such items or services or the making or receipt of such payment, or

"(2) rebate of any fee or charge for referring any such individual to another person for the furnishing of such items or services

shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $10,000 or imprisoned for not more than one year, or both.

"(c) Whoever knowingly and willfully makes or causes to be made, or induces or seeks to induce the making of, any false statement or representation of a material fact with respect to the conditions or operation of any institution or facility in order that such institution or facility may qualify as a hospital, skilled nursing home, intermediate care facility, or home health agency (as those terms are employed in this title) shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $2,000 or imprisoned for not more than 6 months, or both."

(d) The provisions of amendments made by this section shall not be applicable to any acts, statements, or representations made or committed prior to the enactment of this Act.

PROVIDER REIMBURSEMENT REVIEW BOARD

SEC. 243. (a) Title XVIII of the Social Security Act is amended by adding at the end thereof (after the new sections added by section 226(a) and section 242(b) of this Act) the following new section:

"POVIDER REIMBURSEMENT REVIEW BOARD

"SEC. 1878. (a) Any provider of services which has filed a required cost report within the time specified in regulations may obtain a hearing with respect to such cost re-

port by a Provider Reimbursement Review Board (hereinafter referred to as the 'Board') which shall be established by the Secretary in accordance with subsection (g), if—

"(1) such provider is dissatisfied with a final determination of the organization serving as its fiscal intermediary pursuant to section 1816 as to the amount of total program reimbursement due the provider for the items and services furnished to individuals for which payment may be made under this title for the period covered by such report,

"(2) the amount in controversy is $10,000 or more, and

"(3) such provider files a request for a hearing within 180 days after notice of the intermediary's final determination under paragraph (1).

"(b) At such hearing, the provider of services shall have the right to be represented by counsel, to introduce evidence, and to examine and cross-examine witnesses. Evidence may be received at any such hearing even though inadmissable under rules of evidence applicable to court procedure.

"(c) A decision by the Board shall be based upon the record made at such hearing, which shall include the evidence considered by the intermediary and such other evidence as may be obtained or received by the Board, and shall be supported by substantial evidence when the record is viewed as

a whole. The Board shall have the power to affirm, modify, or reverse a final determination of the fiscal intermediary with respect to a cost report and to make any other revisions on matters covered by such cost report (including revisions adverse to the provider of services) even though such matters were not considered by the intermediary in making such final determination.

"(d) The Board shall have full power and authority to make rules and establish procedures, not inconsistent with the provisions of this title, which are necessary or appropriate to carry out the provisions of this section. In the course of any hearing the Board may administer oaths and affirmations. The provisions of subsections (d), (e), and (f) of section 205 with respect to subpenas shall apply to the Board to the same extent as they apply to the Secretary with respect to title II.

"(e) A decision of the Board shall be final unless the Secretary, on his own motion, and within 60 days after the provider of services is notified of the Board's decision, reverses or modifies (adversely to such provider) the Board's decision. In any case where such a reversal or modification occurs the provider of services may obtain a review of such decision by a civil action commenced within 60 days of the date he is notified of the Secretary's reversal or modification. Such action shall be brought in the district court of the

United States for the judicial district in which the provider is located or in the District Court for the District of Columbia and shall be tried pursuant to the applicable provisions under chapter 7 of title 5, United States Code, notwithstanding any other provisions in section 205.

"(f) The finding of a fiscal intermediary that no payment may be made under this title for any expenses incurred for items or services furnished to an individual because such items or services are listed in section 1862 shall not be reviewed by the Board, or by any court pursuant to an action brought under subsection (e).

"(g) The Board shall be composed of five members appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive services. Two of such members shall be representative of providers of services. All of the members of the Board shall be persons knowledgeable in the field of cost reimbursement, and at least one of them shall be a certified public accountant. Members of the Board shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding the rate specified (at the time the service involved is rendered by such members) for grade GS–18 in section 5332 of title 5, United States Code. The term of office shall be three years, except that the Secretary shall appoint the

initial members of the Board for shorter terms to the extent necessary to permit staggered terms of office.

"(h) The Board is authorized to engage such technical assistance as may be required to carry out its functions, and the Secretary shall, in addition, make available to the Board such secretarial, clerical, and other assistance as the Board may require to carry out its functions."

(b) The first sentence of section 1816(a) of such Act is amended by striking out "subject to" in the parenthetical phrase and inserting in lieu thereof "subject to the provisions of section 1878 and to".

(c) The amendments made by this section shall apply with respect to cost reports of providers of services, as defined in title XVIII of the Social Security Act, for accounting periods beginning after June 30, 1971.

PART C—MISCELLANEOUS AND TECHNICAL PROVISIONS

PHYSICAL THERAPY SERVICES AND OTHER THERAPY SERVICES UNDER MEDICARE

SEC. 251. (a)(1) Section 1861(p) of the Social Security Act is amended by adding at the end thereof (after and below paragraph (4)(B)) the following new sentence: "The term 'outpatient physical therapy services' also includes physical therapy services furnished an individual by a physical therapist (in his office or in such individual's home) who meets licensing and other standards prescribed by the Secre-

tary in regulations, otherwise than under an arrangement with and under the supervision of a provider of services, clinic, rehabilitation agency, or public health agency, if the furnishing of such services meets such conditions relating to health and safety as the Secretary may find necessary."

(2) Section 1833 of such Act is amended by adding at the end thereof the following new subsection:

"(g) In the case of services described in the next to last sentence of section 1861 (p), with respect to expenses incurred in any calendar year, no more than $100 shall be considered as incurred expenses for purposes of subsections (a) and (b)."

(3) Section 1833 (a) (2) of such Act (as amended by section 233 (b) of this Act) is further amended by striking out the period at the end of subparagraph (B) and inserting in lieu thereof "; or", and by adding after subparagraph (B) the following new subparagraph:

"(C) if such services are services to which the next to last sentence of section 1861 (p) applies, the reasonable charges for such services."

(4) Section 1832 (a) (2) (C) of such Act is amended by striking out "services." and inserting in lieu thereof "services, other than services to which the next to last sentence of section 1861 (p) applies."

(b) (1) Section 1861 (p) of such Act (as amended by

subsection (a) (1) of this section) is further amended by adding at the end thereof the following new sentence: "In addition, such term includes physical therapy services which meet the requirements of the first sentence of this subsection except that they are furnished to an individual as an inpatient of a hospital or extended care facility."

(2) Section 1835 (a) (2) (C) of such Act is amended by striking out "on an outpatient basis".

(c) Section 1861 (v) of such Act (as amended by sections 221 (c) (4) and 223 (f) of this Act) is further amended by redesignating paragraphs (5) and (6) as paragraphs (6) and (7), respectively, and by inserting after paragraph (4) the following new paragraph:

"(5) Where physical therapy services, occupational therapy services, speech therapy services, or other therapy services or services of other health-related personnel (other than physicians) are furnished by a provider of services, or other organization specified in the first sentence of section 1861 (p), or by others under an arrangement with such a provider or other organization, the amount included in any payment to such provider or organization under this title as the reasonable cost of such services shall not exceed an amount equal to the salary which would reasonably have been paid for such services to the person performing them if they had been performed in an employment relationship with such

provider or organization (rather than under such arrangement) plus the cost of such other expenses incurred by such person not working as an employee, as the Secretary may in regulations determine to be appropriate."

(d) (1) The amendment made by subsection (a) shall apply with respect to services furnished on or after January 1, 1972.

(2) The amendments made by subsection (b) shall apply with respect to services furnished on or after the date of enactment of this Act.

(3) The amendments made by subsection (c) shall be effective with respect to accounting periods beginning on or after January 1, 1972.

COVERAGE OF SUPPLIES RELATED TO COLOSTOMIES

SEC. 252. (a) Section 1861 (s) (8) of the Social Security Act is amended by inserting after "organ" the following: "(including colostomy bags and supplies directly related to colostomy care)".

(b) The amendment made by subsection (a) shall apply only with respect to items furnished on or after the date of the enactment of this Act.

COVERAGE OF PTOSIS BARS

SEC. 253. (a) Section 1861 (s) (9) of the Social Security Act is amended by inserting "ptosis bars," after "neck braces,".

(b) The amendment made by subsection (a) shall apply only with respect to items furnished on or after the date of the enactment of this Act.

INCLUSION UNDER MEDICAID OF CARE IN INTERMEDIATE CARE FACILITIES

SEC. 254. (a) (1) Section 1905 (a) of the Social Security Act is amended—

(A) by striking out "and" at the end of clause (14),

(B) by adding "and" after the semicolon at the end of clause (15), and

(C) by inserting after clause (15) the following new clause:

"(16) intermediate care facility services (other than such services in an institution for tuberculosis or mental diseases) for individuals who are determined, in accordance with section 1902 (a) (33) (A), to be in need of such care;".

(2) Section 1905 of such Act is amended by adding at the end thereof the following new subsections:

"(c) For purposes of this title the term 'intermediate care facility' means an institution or distinct part thereof which (1) is licensed under State law to provide, on a regular basis, health-related care and services to individuals who do not require the degree of care and treatment which a

hospital or skilled nursing home is designed to provide, but who because of their mental or physical condition require care and services (above the level of room and board) which can be made available to them only through institutional facilities, (2) meets such standards prescribed by the Secretary as he finds appropriate for the proper provision of such care, and (3) meets such standards of safety and sanitation as are applicable to nursing homes under State law. The term 'intermediate care facility' also includes a Christian Science sanatorium operated, or listed and certified, by the First Church of Christ, Scientist, Boston, Massachusetts, but only with respect to institutional services deemed appropriate by the State. With respect to services furnished to individuals under age 65, the term 'intermediate care facility' shall not include, except as provided in subsection (d), any public institution or distinct part thereof for mental diseases or mental defects.

"(d) The term 'intermediate care facility services' may include services in a public institution (or distinct part thereof) for the mentally retarded or persons with related conditions if—

"(1) the primary purpose of such institution (or distinct part thereof) is to provide health or rehabilitative services for mentally retarded individuals and which

meet such standards as may be prescribed by the Secretary;

"(2) the mentally retarded individual with respect to whom a request for payment is made under a plan approved under this title is receiving active treatment under such a program; and

"(3) the State or political subdivision responsible for the operation of such institution has agreed that the non-Federal expenditures with respect to patients in such institution (or distinct part thereof) will not be reduced because of payments made under this title."

(b) Section 1902(a) of such Act (as amended by sections 236(b) and 239(b) of this Act) is further amended—

(1) by striking out "and" at the end of paragraph (31);

(2) by striking out the period at the end of paragraph (32) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (32) the following new paragraph:

"(33) provide (A) for a regular program of independent professional review (including medical evaluation of each patient's need for intermediate care) and a written plan of service prior to admission or authoriza-

tion of benefits in an intermediate care facility which provides more than a minimum level of health care services as determined under regulations of the Secretary; (B) for periodic inspections to be made in all such intermediate care facilities (if the State plan includes care in such institutions) within the State by one or more independent professional review teams (composed of physicians or registered nurses and other appropriate health and social service personnel) of (i) the care being provided in such intermediate care facilities to persons receiving assistance under the State plan, (ii) with respect to each of the patients receiving such care, the adequacy of the services available in particular intermediate care facilities to meet the current health needs and promote the maximum physical well-being of patients receiving care in such facilities, (iii) the necessity and desirability of the continued placement of such patients in such facilities, and (iv) the feasibility of meeting their health care needs through alternative institutional or noninstitutional services; and (C) for the making by such team or teams of full and complete reports of the findings resulting from such inspections, together with any recommendations to the State agency administering or supervising the administration of the State plan."

(c) Section 1121 of such Act is repealed.

(d) The amendments made by this section shall become effective January 1, 1972.

COVERAGE PRIOR TO APPLICATION FOR MEDICAL ASSISTANCE

SEC. 255. (a) Section 1902 (a) of the Social Security Act (as amended by sections 236 (b), 239 (b), and 254 (b) of this Act) is further amended—

(1) by striking out "and" at the end of paragraph (32);

(2) by striking out the period at the end of paragraph (33) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (33) the following new paragraph:

"(34) provide that in the case of any individual who has been determined to be eligible for medical assistance under the plan, such assistance will be made available to him for care and services included under the plan and furnished in or after the third month before the month in which he made application for such assistance if such individual was (or upon application would have been) eligible for such assistance at the time such care and services were furnished."

(b) The amendments made by subsection (a) shall be effective July 1, 1972.

HOSPITAL ADMISSIONS FOR DENTAL SERVICES UNDER MEDICARE

SEC. 256. (a) Section 1814 (a) (2) of the Social Security Act is amended by striking out "or" at the end of subparagraph (C), by adding "or" after the semicolon at the end of subparagraph (D), and by inserting after subparagraph (D) the following new subparagraph:

"(E) in the case of inpatient hospital services in connection with a dental procedure, the individual suffers from impairments of such severity as to require hospitalization;".

(b) Section 1861 (r) of such Act is amended by inserting after "or any facial bone," the following: "or (C) the certification required by section 1814 (a) (2) (E) of this Act,".

(c) Section 1862 (a) (12) of such Act is amended by inserting before the semicolon the following: ", except that payment may be made under part A in the case of inpatient hospital services in connection with a dental procedure where the individual suffers from impairments of such severity as to require hospitalization".

(d) The amendments made by this section shall apply

with respect to admissions occurring after the second month following the month in which this Act is enacted.

EXTENSION OF GRACE PERIOD FOR TERMINATION OF SUPPLEMENTARY MEDICAL INSURANCE COVERAGE WHERE FAILURE TO PAY PREMIUMS IS DUE TO GOOD CAUSE

SEC. 257. (a) Section 1838(b) of the Social Security Act is amended by striking out "(not in excess of 90 days)" in the third sentence, and by adding at the end thereof the following new sentence: "The grace period determined under the preceding sentence shall not exceed 90 days; except that it may be extended to not to exceed 180 days in any case where the Secretary determines that there was good cause for failure to pay the overdue premiums within such 90-day period."

(b) The amendments made by subsection (a) shall apply with respect to nonpayment of premiums which become due and payable on or after the date of the enactment of this Act or which became payable within the 90-day period immediately preceding such date; and for purposes of such amendments any premium which became due and payable within such 90-day period shall be con-

sidered a premium becoming due and payable on the date of the enactment of this Act.

EXTENSION OF TIME FOR FILING CLAIM FOR SUPPLEMENTARY MEDICAL INSURANCE BENEFITS WHERE DELAY IS DUE TO ADMINISTRATIVE ERROR

SEC. 258. (a) Section 1842 (b) (3) of the Social Security Act (as amended by section 224 (a) of this Act) is further amended by adding at the end thereof the following new sentence: "The requirement in subparagraph (B) that a bill be submitted or request for payment be made by the close of the following calendar year shall not apply if (i) failure to submit the bill or request the payment by the close of such year is due to the error or misrepresentation of an officer, employee, fiscal intermediary, carrier, or agent of the Department of Health, Education, and Welfare performing functions under this title and acting within the scope of his or its authority, and (ii) the bill is submitted or the payment is requested promptly after such error or misrepresentation is eliminated or corrected."

(b) The amendment made by subsection (a) shall apply with respect to bills submitted and requests for payment made after March 1968.

WAIVER OF ENROLLMENT PERIOD REQUIREMENTS WHERE INDIVIDUAL'S RIGHTS WERE PREJUDICED BY ADMINISTRATIVE ERROR OR INACTION

SEC. 259. (a) Section 1837 of the Social Security Act (after the new subsections added by section 206 (a) of this Act) is amended by adding at the end thereof the following new subsection:

"(h) In any case where the Secretary finds that an individual's enrollment or nonenrollment in the insurance program established by this part is unintentional, inadvertent, or erroneous and is the result of the error, misrepresentation, or inaction of an officer, employee, or agent of the Department of Health, Education, and Welfare, the Secretary may take such action (including the designation for such individual of a special initial or subsequent enrollment period, with a coverage period determined on the basis thereof and with appropriate adjustments of premiums) as may be necessary to correct or eliminate the effects of such error, misrepresentation, or inaction."

(b) The amendment made by subsection (a) shall be effective as of July 1, 1966.

ELIMINATION OF PROVISIONS PREVENTING ENROLLMENT IN SUPPLEMENTARY MEDICAL INSURANCE PROGRAM MORE THAN THREE YEARS AFTER FIRST OPPORTUNITY

SEC. 260. Section 1837 (b) of the Social Security Act is amended to read as follows:

"(b) No individual may enroll under this part more than twice."

WAIVER OF RECOVERY OF INCORRECT PAYMENTS FROM SURVIVOR WHO IS WITHOUT FAULT UNDER MEDICARE

SEC. 261. (a) Section 1870 (c) of the Social Security Act is amended by striking out "and where" and inserting in lieu thereof the following: "or where the adjustment (or recovery) would be made by decreasing payments to which another person who is without fault is entitled as provided in subsection (b) (4), if".

(b) The amendment made by subsection (a) shall apply with respect to waiver actions considered after the date of the enactment of this Act.

REQUIREMENT OF MINIMUM AMOUNT OF CLAIM TO ESTABLISH ENTITLEMENT TO HEARING UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 262. (a) Section 1842 (b) (3) (C) of the Social Security Act is amended by inserting after "a fair hearing by the carrier" the following: ", in any case where the amount in controversy is $100 or more,".

(b) The amendment made by subsection (a) shall apply with respect to hearings requested (under the procedures established under section 1842(b)(3)(C) of the Social Security Act) after the date of the enactment of this Act.

COLLECTION OF SUPPLEMENTARY MEDICAL INSURANCE PREMIUMS FROM INDIVIDUALS ENTITLED TO BOTH SOCIAL SECURITY AND RAILROAD RETIREMENT BENEFITS

SEC. 263. (a) Section 1840(a)(1) of the Social Security Act is amended by striking out "subsection (d)" and inserting in lieu thereof "subsections (b)(1) and (c)".

(b) Section 1840(b)(1) of such Act is amended by inserting "(whether or not such individual is also entitled for such month to a monthly insurance benefit under section 202)" after "1937", and by striking out "subsection (d)" and inserting in lieu thereof "subsection (c)".

(c) Section 1840 of such Act is further amended by striking out subsection (c), and by redesignating subsections (d) through (i) as subsections (c) through (h), respectively.

(d)(1) Section 1840(e) of such Act (as so redesignated) is amended by striking out "subsection (d)" and inserting in lieu thereof "subsection (c)".

(2) Section 1840(f) of such Act (as so redesignated)

is amended by striking out "subsection (d) or (f)" and inserting in lieu thereof "subsection (c) or (e)".

(3) Section 1840(h) of such Act (as so redesignated) is amended by striking out "(c), (d), and (e)" and inserting in lieu thereof "(c), and (d)".

(4) Section 1841(h) of such Act is amended by striking out "1840(e)" and inserting in lieu thereof "1840(d)".

(5) Section 1842 of such Act is amended by adding at the end thereof the following new subsection:

"(g) The Railroad Retirement Board shall, in accordance with such regulations as the Secretary may prescribe, contract with a carrier or carriers to perfom the functions set out in this section with respect to individuals entitled to benefits as qualified railroad retirement beneficiaries pursuant to section 226(a) of this Act and section 21(b) of the Railroad Retirement Act of 1937."

(e) Section 1841 of such Act is amended by adding at the end thereof the following new subsection:

"(i) The Managing Trustee shall pay from time to time from the Trust Fund such amounts as the Secretary of Health, Education, and Welfare certifies are necessary to pay the costs incurred by the Railroad Retirement Board for services performed pursuant to section 1840(b)(1) and section 1842(g). During each fiscal year or after the close

of such fiscal year, the Railroad Retirement Board shall certify to the Secretary the amount of the costs it incurred in performing such services and such certified amount shall be the basis for the amount of such costs certified by the Secretary to the Managing Trustee."

(f) The amendments made by this section with respect to collection of premiums shall apply to premiums becoming due and payable after the fourth month following the month in which this Act is enacted.

PROSTHETIC LENSES FURNISHED BY OPTOMETRISTS UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 264. (a) Section 1861(r) of the Social Security Act (as amended by sections 211(c)(2) and 256(b) of this Act) is further amended (1) by striking out "or (3)" and inserting in lieu thereof "(3)", and (2) by inserting before the period at the end thereof the following: ", or (4) a doctor of optometry who is legally authorized to practice optometry by the State in which he performs such function, but only with respect to establishing the necessity for prosthetic lenses".

(b) The amendment made by subsection (a) shall apply only with respect to services performed on or after the date of the enactment of this Act.

PROVISION OF MEDICAL SOCIAL SERVICES NOT MANDATORY FOR EXTENDED CARE FACILITIES

SEC. 265. Section 1861 (j) (11) of the Social Security Act (as redesignated by section 234 (d) of this Act) is amended by inserting before the semicolon at the end thereof the following: ", except that the Secretary shall not require as a condition of participation that medical social services be furnished in any such institution".

REFUND OF EXCESS PREMIUMS UNDER MEDICARE

SEC. 266. Section 1870 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(g) If an individual, who is enrolled under section 1818 (c) of the Social Security Act or under section 1837, dies, and premiums with respect to such enrollment have been received with respect to such individual for any month after the month of his death, such premiums shall be refunded to the person or persons determined by the Secretary under regulations to have paid such premiums or if payment for such premiums was made by the deceased individual before his death, to the legal representative of the estate of such deceased individual, if any. If there is no person who meets the requirements of the preceding sentence such premiums shall be refunded to the person or persons in the priorities specified in paragraphs (2) through (7) of subsection (e)."

WAIVER OF REQUIREMENT OF REGISTERED PROFESSIONAL NURSES IN SKILLED NURSING HOMES IN RURAL AREAS UNDER MEDICAID

SEC. 267. Section 1902 (a) (28) (B) of the Social Security Act is amended by adding after the semicolon at the end thereof the following:

"except that the State agency with the approval of the Secretary is authorized to waive the requirement of this subparagraph for any one-year period (or less) ending no later than December 31, 1975, with respect to any skilled nursing home where immediately preceding such period the Secretary finds that—

"(i) such nursing home is located in a rural area and the supply of skilled nursing home services in such area is not sufficient to meet the needs of individuals residing therein, and

"(ii) the failure of such nursing home to qualify as a skilled nursing home would seriously reduce the availability of such services to beneficiaries in such area; and

"(iii) such nursing home has made and continues to make a good faith effort to comply with this subparagraph, but such compliance is impeded by the lack of qualified nursing personnel in such area; and

"(iv) the requirements of this subparagraph were met for a regular daytime shift."

EXEMPTION OF CHRISTIAN SCIENCE SANATORIUMS FROM CERTAIN NURSING HOME REQUIREMENTS UNDER MEDICAID

SEC. 268. (a) Section 1902(a) of the Social Security Act (as amended by section 544(11) of this Act) is amended by adding at the end thereof the following new sentence: "For purposes of paragraphs (9)(A), (26), (28)(B), (D), and (E), (29), and (32), and of section 1903(i)(4), the terms 'skilled nursing home' and 'nursing home' do not include a Christian Science sanatorium operated, or listed and certified, by the First Church of Christ, Scientist, Boston, Massachusetts."

(b) Section 1908(g)(1) of such Act is amended by inserting after "Secretary" the following: ", but does not include a Christian Science sanatorium operated, or listed and certified, by the First Church of Christ, Scientist, Boston, Massachusetts".

(c) The amendments made by this section shall be effective on the date of the enactment of this Act.

REQUIREMENTS FOR NURSING HOME ADMINISTRATORS

SEC. 269. Section 1908(d) of the Social Security Act is amended by striking out "No State" and inserting in lieu thereof the following: "No State shall be considered

to have failed to comply with the provisions of section 1902 (a) (29) because the agency or board of such State (established pursuant to subsection (b)) shall have granted any waiver, with respect to any individual who, during all of the three calendar years immediately preceding the calendar year in which the requirements prescribed in section 1902 (a) (29) are first met by the State, has served as a nursing home administrator, of any of the standards developed, imposed, and enforced by such agency or board pursuant to subsection (c). No State".

TERMINATION OF NATIONAL ADVISORY COUNCIL ON NURSING HOME ADMINISTRATION

SEC. 270. Section 1908 (f) (5) of the Social Security Act is amended by striking out "as of December 31, 1971" and inserting in lieu thereof "30 days after the date of the enactment of the Social Security Amendments of 1971".

INCREASE IN LIMITATION ON PAYMENTS TO PUERTO RICO FOR MEDICAL ASSISTANCE

SEC. 271. (a) Section 1108 (c) (1) of the Social Security Act is amended by striking out "$20,000,000" and inserting in lieu thereof "$30,000,000".

(b) The amendment made by subsection (a) shall apply with respect to fiscal years beginning after June 30, 1971.

EXTENSION OF TITLE V TO AMERICAN SAMOA AND THE TRUST TERRITORY OF THE PACIFIC ISLANDS

SEC. 272. (a) Section 1101 (a) (1) of the Social Security Act is amended by adding at the end thereof the following new sentence: "Such term when used in title V also includes American Samoa and the Trust Territory of the Pacific Islands."

(b) Section 1108 (d) of such Act is amended by inserting, after "allot such smaller amount to Guam", the following: ", American Samoa, and the Trust Territory of the Pacific Islands".

(c) The amendments made by this section shall apply with respect to fiscal years beginning after June 30, 1971.

STUDY OF CHIROPRACTIC COVERAGE

SEC. 273. The Secretary, utilizing the authority conferred by section 1110 of the Social Security Act, shall conduct a study of the coverage of services performed by chiropractors under State plans approved under title XIX of such Act in order to determine whether and to what extent such services should be covered under the supplementary medical insurance program under part B of title XVIII of such Act, giving particular attention to the limitations which should be placed upon any such coverage and upon payment therefor. Such study shall include one or more experimental,

pilot, or demonstration projects designed to assist in providing under controlled conditions the information necessary to achieve the objectives of the study. The Secretary shall report the results of such study to the Congress within two years after the date of the enactment of this Act, together with his findings and recommendations based on such study (and on such other information as he may consider relevant concerning experience with the coverage of chiropractors by public and private plans).

MISCELLANEOUS TECHNICAL AND CLERICAL AMENDMENTS

SEC. 274. (a) Clause (A) of section 1902(a)(26) of the Social Security Act is amended by striking out "evaluation" and inserting in lieu thereof "evaluation)", and by striking out "care)" and inserting in lieu thereof "care".

(b) Section 1908(d) of such Act is amended by striking out "subsection (b)(1)" and inserting in lieu thereof "subsection (c)(1)".

TITLE III—ASSISTANCE FOR THE AGED, BLIND, AND DISABLED

ESTABLISHMENT OF PROGRAM

SEC. 301. The Social Security Act is amended by adding at the end thereof the following new title:

"TITLE XX—ASSISTANCE FOR THE AGED BLIND, AND DISABLED

"PURPOSE; APPROPRIATIONS

"SEC. 2001. For the purpose of establishing a national program to provide financial assistance to needy individuals who have attained age 65 or are blind or disabled, there are authorized to be appropriated sums sufficient to carry out this title.

"BASIC ELIGIBILITY FOR BENEFITS

"SEC. 2002. Every aged, blind, or disabled individual who is determined under part A to be eligible on the basis of his income and resources shall, in accordance with and subject to the provisions of this title, be paid benefits by the Secretary of Health, Education, and Welfare.

"PART A—DETERMINATION OF BENEFITS

"ELIGIBILITY FOR AND AMOUNT OF BENEFITS

"Definition of Eligible Individual

"SEC. 2011. (a) (1) Each aged, blind, or disabled individual who does not have an eligible spouse and—

"(A) whose income, other than income excluded pursuant to section 2012(b), is at a rate of not more than—

"(i) $780 for the 6-month period ending December 31, 1972,

"(ii) $780 for the 6-month period ending

June 30, and $840 for the 6-month period ending December 31, in the calendar year 1973,

"(iii) $840 for the 6-month period ending June 30, and $900 for the 6-month period ending December 31, in the calendar year 1974, or

"(iv) $1,800 for the calendar year 1975 or any calendar year thereafter, and

"(B) whose resources, other than resources excluded pursuant to section 2013(a), are not more than $1,500,

shall be an eligible individual for purposes of this title.

"(2) Each aged, blind, or disabled individual who has an eligible spouse and—

"(A) whose income (together with the income of such spouse), other than income excluded pursuant to section 2012(b), is at a rate of not more than—

"(i) $1,170 for the 6-month period ending December 31, 1972,

"(ii) $1,170 for the 6-month period ending June 30, and $1,200 for the 6-month period ending December 31, in the calendar year 1973, or

"(iii) $2,400 for the calendar year 1974 or any calendar year thereafter, and

"(B) whose resources (together with the resources

of such spouse), other than resources excluded pursuant to section 2013 (a), are not more than $1,500,

shall be an eligible individual for purposes of this title.

"Amount of Benefits

"(b) (1) The benefit under this title for an individual who does not have an eligible spouse shall be payable at the rate of—

"(A) $780 for the 6-month period ending December 31, 1972,

"(B) $780 for the 6-month period ending June 30, and $840 for the 6-month period ending December 31, in the calendar year 1973,

"(C) $840 for the 6-month period ending June 30, and $900 for the 6-month period ending December 31, in the calendar year 1974, and

"(D) $1,800 for the calendar year 1975 or any calendar year thereafter,

reduced by the amount of income, not excluded pursuant to section 2012 (b), of such individual.

"(2) The benefit under this title for an individual who has an eligible spouse shall be payable at the rate of—

"(A) $1,170 for the 6-month period ending December 31, 1972,

"(B) $1,170 for the 6-month period ending June

30, and $1,200 for the 6-month period ending December 31, in the calendar year 1973, and

"(C) $2,400 for the calendar year 1974 or any calendar year thereafter,

reduced by the amount of income, not excluded pursuant to section 2012(b), of such individual and spouse.

"Period for Determination of Benefits

"(c) (1) An individual's eligibility for benefits under this title and the amount of such benefits shall be determined for each quarter of a calendar year. Eligibility for and the amount of such benefits for any quarter shall be redetermined at such time or times as may be provided by the Secretary, such redetermination to be effective prospectively.

"(2) The Secretary shall by regulation prescribe the cases in which and extent to which the amount of a benefit under this title for any quarter shall be reduced by reason of time elapsed since the beginning of such quarter and before the date of filing of the application for the benefit.

"(3) For purposes of this subsection an application shall be considered to have been filed on the first day of the month in which it was actually filed.

"Special Limits on Gross Income

"(d) The Secretary may prescribe the circumstances under which, consistently with the purposes of this title,

the gross income from a trade or business (including farming) will be considered sufficiently large to make an individual ineligible for benefits under this title. For purposes of this subsection, the term 'gross income' has the same meaning as when used in chapter 1 of the Internal Revenue Code of 1954.

"Limitation on Eligibility of Certain Individuals

"(e) (1) (A) Except as provided in subparagraph (B), no person shall be an eligible individual or eligible spouse for purposes of this title with respect to any month if throughout such month he is an inmate of a public institution.

"(B) In any case where an eligible individual or his eligible spouse (if any) is, throughout any month, in a hospital, extended care facility, nursing home, or intermediate care facility receiving payments (with respect to such individual or spouse) under a State plan approved under title XIX, the benefit under this title for such individual for such month shall be payable—

"(i) at a rate not in excess of $300 per year (reduced by the amount of any income not excluded pursuant to section 2012(b)) in the case of an individual who does not have an eligible spouse;

"(ii) at a rate not in excess of the sum of the applicable rate specified in subsection (b) (1) and the rate of $300 per year (reduced by the amount of any income

not excluded pursuant to section 2012 (b)) in the case of an individual who has an eligible spouse, if only one of them is in such a hospital, home, or facility throughout such month; and

"(iii) at a rate not in excess of $600 per year (reduced by the amount of any income not excluded pursuant to section 2012 (b)) in the case of an individual who has an eligible spouse, if both of them are in such a hospital, home, or facility throughout such month.

"(2) No person shall be an eligible individual or eligible spouse for purposes of this title if, after notice to such person by the Secretary that it is likely that such person is eligible for any payments of the type enumerated in section 2012 (a) (2) (B), such person fails within 30 days to take all appropriate steps to apply for and (if eligible) obtain any such payments.

"(3) (A) No person who is an aged, blind, or disabled individual solely by reason of disability (as determined under section 2014 (a) (3)) shall be an eligible individual or eligible spouse for purposes of this title with respect to any month if such disability is determined by the Secretary to be the result in whole or in part of drug abuse or alcohol abuse unless such person is undergoing any treatment that may be appropriate for such abuse at an institution or facility approved for purposes of this paragraph by the Secretary (so

long as such treatment is available) and demonstrates that he is complying with the terms, conditions, and requirements of such treatment and with requirements imposed by the Secretary under subparagraph (B).

"(B) The Secretary shall provide for the monitoring and testing of all individuals who are receiving benefits under this title and who as a condition of such benefits are required to be undergoing treatment and complying with the terms, conditions, and requirements thereof as described in subparagraph (A), in order to assure such compliance and to determine the extent to which the imposition of such requirement is contributing to the achievement of the purposes of this title. The Secretary shall annually submit to the Congress a full and complete report on his activities under this paragraph.

"(C) As used in subparagraph (A), the term 'drug abuse' means abuse of a controlled substance within the meaning of section 102 of the Controlled Substances Act; and the term 'alcohol abuse' means alcohol abuse or alcoholism within the meaning of section 247 of the Community Mental Health Centers Act.

"Suspension of Payments to Individuals Who Are Outside the United States

"(f) Notwithstanding any other provision of this title, no individual shall be considered an eligible individual for purposes of this title for any month during all of which such

individual is outside the United States (and no person shall be considered the eligible spouse of an individual for purposes of this title with respect to any month during all of which such person is outside the United States). For purposes of the preceding sentence, after an individual has been outside the United States for any period of 30 consecutive days, he shall be treated as remaining outside the United States until he has been in the United States for a period of 30 consecutive days.

"Puerto Rico, the Virgin Islands, and Guam

"(g) For special provisions applicable to Puerto Rico, the Virgin Islands, and Guam, see section 1108(e).

"INCOME

"Meaning of Income

"SEC. 2012. (a) For purposes of this title, income means both earned income and unearned income; and—

"(1) earned income means only—

"(A) wages as determined under section 203 (f) (5) (C); and

"(B) net earnings from self-employment, as defined in section 211 (without the application of the second and third sentences following clause (C) of subsection (a) (9), and the last paragraph of subsection (a)), including earnings for services de-

scribed in paragraphs (4), (5), and (6) of subsection (c); and

"(2) unearned income means all other income, including—

"(A) support and maintenance furnished in cash or kind; except that in the case of any individual (and his eligible spouse, if any) living in another person's household and receiving support and maintenance in kind from such person, the dollar amounts otherwise applicable to such individual (and spouse) as specified in subsections (a) and (b) of section 2011 shall be reduced by $33\frac{1}{3}$ percent in lieu of including such support and maintenance in the unearned income of such individual (and spouse) as otherwise required by this subparagraph;

"(B) any payments received as an annuity, pension, retirement, or disability benefit, including veterans' compensation and pensions, workmen's compensation payments, old-age, survivors, and disability insurance benefits, railroad retirement annuities and pensions, and unemployment insurance benefits;

"(C) prizes and awards;

"(D) the proceeds of any life insurance policy to the extent that they exceed the amount ex-

pended by the beneficiary for purposes of the insured individual's last illness and burial or $1,500, whichever is less;

"(E) gifts (cash or otherwise), support and alimony payments, and inheritances; and

"(F) rents, dividends, interest, and royalties.

"Exclusions From Income

"(b) In determining the income of an individual (and his eligible spouse) there shall be excluded—

"(1) subject to limitations (as to amount or otherwise) prescribed by the Secretary, if such individual is a child who is, as determined by the Secretary, a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment, the earned income of such individual;

"(2) (A) the total unearned income of such individual (and such spouse, if any) in a calendar quarter which, as determined in accordance with criteria prescribed by the Secretary, is received too infrequently or irregularly to be included, if such income so received does not exceed $60 in such quarter, and (B) the total earned income of such individual (and such spouse, if any) in a calendar quarter which, as determined in accordance with such criteria, is received too infrequently or irregularly

to be included, if such income so received does not exceed $30 in such quarter;

"(3) (A) if such individual (or such spouse) is blind (and has not attained age 65, or received benefits under this title (or aid under a State plan approved under section 1002 or 1602) for the month before the month in which he attained age 65), (i) the first $1,020 per year (or proportionately smaller amounts for shorter periods) of earned income not excluded by the preceding paragraphs of this subsection, plus one-half of the remainder thereof, (ii) an amount equal to any expenses reasonably attributable to the earning of any income, and (iii) such additional amounts of other income, where such individual has a plan for achieving self-support approved by the Secretary, as may be necessary for the fulfillment of such plan,

"(B) if such individual (or such spouse) is disabled but not blind (and has not attained age 65, or received benefits under this title (or aid under a State plan approved under section 1402, or 1602) for the month before the month in which he attained age 65), (i) the first $1,020 per year (or proportionately smaller amounts for shorter periods) of earned income not excluded by the preceding paragraphs of this subsection, plus one-half of the remainder thereof, and (ii) such

additional amounts of other income, where such individual has a plan for achieving self-support approved by the Secretary, as may be necessary for the fulfillment of such plan, or

"(C) if such individual (or such spouse) has attained age 65 and is not included under subparagraph (A) or (B), the first $720 per year (or proportionately smaller amounts for shorter periods) of earned income not excluded by the preceding pararaphs of this subsection, plus one-third of the remainder thereof;

"(4) subject to section 2016, any assistance (except veterans' pensions) which is based on need and furnished by any State or political subdivision of a State or any Federal agency, or by any private agency or organization exempt from taxation under section 501 (a) of the Internal Revenue Code of 1954 as an organization described in section 501 (c) (3) or (4) of such Code;

"(5) any portion of any grant, scholarship, or fellowship received for use in paying the cost of tuition and fees at any educational (including technical or vocational education) institution;

"(6) home produce of such individual (or spouse) utilized by the household for its own consumption;

"(7) if such individual is a child, one-third of any

payment for his support received from an absent parent; and

"(8) any amounts received for the foster care of a child who is not an eligible individual but who is living in the same home as such individual and was placed in such home by a public or nonprofit private child-placement or child-care agency.

"(c) For provisions relating to additional disregarding of income, see section 1007 of the Social Security Amendments of 1969 and section 2016(c)(1) of this Act.

"RESOURCES

"Exclusions From Resources

"SEC. 2013. (a) In determining the resources of an individual (and his eligible spouse, if any) there shall be excluded—

"(1) the home, to the extent that its value does not exceed such amount as the Secretary determines to be reasonable;

"(2) household goods and personal effects, to the extent that their total value does not exceed such amount as the Secretary determines to be reasonable;

"(3) other property which, as determined in accordance with and subject to limitations prescribed by the Secretary, is so essential to the means of self-support

of such individual (and such spouse) as to warrant its exclusion; and

"(4) such resources of an individual who is blind or disabled and who has a plan for achieving self-support approved by the Secretary, as may be necessary for the fulfillment of such plan.

In determining the resources of an individual (or eligible spouse) an insurance policy shall be taken into account only to the extent of its cash surrender value; except that if the total face value of all life insurance policies on any person is $1,500 or less, no part of the value of any such policy shall be taken into account.

"Disposition of Resources

"(b) The Secretary shall prescribe the period or periods of time within which, and the manner in which, various kinds of property must be disposed of in order not to be included in determining an individual's eligibility for benefits. Any portion of the individual's benefits paid for any such period shall be conditioned upon such disposal; and any benefits so paid shall (at the time of the disposal) be considered overpayments to the extent they would not have been paid had the disposal occurred at the beginning of the period for which such benefits were paid.

"MEANING OF TERMS

"Aged, Blind, or Disabled Individual

"SEC. 2014. (a) (1) For purposes of this title, the term 'aged, blind, or disabled individual' means an individual who—

"(A) is 65 years of age or older, is blind (as determined under paragraph (2)), or is disabled (as determined under paragraph (3)), and

"(B) is a resident of the United States, and is either (i) a citizen or (ii) an alien lawfully admitted for permanent residence.

"(2) An individual shall be considered to be blind for purposes of this title if he has central visual acuity of 20/200 or less in the better eye with the use of a correcting lens. An eye which is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees shall be considered for purposes of the first sentence of this subsection as having a central visual acuity of 20/200 or less. An individual shall also be considered to be blind for purposes of this title if he is blind as defined under a State plan approved under title X or XVI as in effect prior to the enactment of this subsection and received aid under such plan (on the basis of blindness) for June 1972, so long as he is continuously blind as so defined.

"(3) (A) An individual shall be considered to be disabled for purposes of this title if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months (or, in the case of a child under the age of 18, if he suffers from any medically determinable physical or mental impairment of comparable severity). An individual shall also be considered to be disabled for purposes of this title if he is permanently and totally disabled as defined under a State plan approved under title XIV or XVI as in effect prior to the enactment of this subsection and received aid under such plan (on the basis of disability) for June 1972, so long as he is continuously disabled as so defined.

"(B) For purposes of subparagraph (A) (except with respect to a child under the age of 18), an individual shall be determined to be under a disability only if his physical or mental impairment or impairments are of such severity that he is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the immediate area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he

applied for work. For purposes of the preceding sentence (with respect to any individual), 'work which exists in the national economy' means work which exists in significant numbers either in the region where such individual lives or in several regions of the country.

"(C) For purposes of this paragraph, a physical or mental impairment is an impairment that results from anatomical, physiological, or psychological abnormalities which are demonstrable by medically acceptable clinical and laboratory diagnostic techniques.

"(D) The Secretary shall by regulations prescribe the criteria for determining when services performed or earnings derived from services demonstrate an individual's ability to engage in substantial gainful activity. Notwithstanding the provisions of subparagraph (B), an individual whose services or earnings meet such criteria, except for purposes of paragraph (4), shall be found not to be disabled.

"(4) (A) For purposes of this title, any services rendered during a period of trial work (as defined in subparagraph (B)) by an individual who is an aged, blind, or disabled individual solely by reason of disability (as determined under paragraph (3) of this subsection) shall be deemed not to have been rendered by such individual in determining whether his disability has ceased in a month during such period. As used in this paragraph, the term 'services' means

activity which is performed for remuneration or gain or is determined by the Secretary to be of a type normally performed for remuneration or gain.

"(B) The term 'period of trial work', with respect to an individual who is an aged, blind, or disabled individual solely by reason of disability (as determined under paragraph (3) of this subsection), means a period of months beginning and ending as provided in subparagraphs (C) and (D).

"(C) A period of trial work for any individual shall begin with the month in which he becomes eligible for benefits under this title on the basis of his disability; but no such period may begin for an individual who is eligible for benefits under this title on the basis of a disability if he has had a previous period of trial work while eligible for benefits on the basis of the same disability.

"(D) A period of trial work for any individual shall end with the close of whichever of the following months is the earlier:

"(i) the ninth month, beginning on or after the first day of such period, in which the individual renders services (whether or not such nine months are consecutive); or

"(ii) the month in which his disability (as determined under paragraph (3) of this subsection) ceases

(as determined after the application of subparagraph (A) of this paragraph).

"Eligible Spouse

"(b) For purposes of this title, the term 'eligible spouse' means an aged, blind, or disabled individual who is the husband or wife of another aged, blind, or disabled individual. If two aged, blind, or disabled individuals are husband and wife as described in the preceding sentence, only one of them may be an 'eligible individual' within the meaning of section 2011(a).

"Definition of Child

"(c) For purposes of this title, the term 'child' means an individual who is neither married nor (as determined by the Secretary) the head of a household, and who is (1) under the age of eighteen, or (2) under the age of twenty-two and (as determined by the Secretary) a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment.

"Determination of Marital Relationships

"(d) In determining whether two individuals are husband and wife for purposes of this title, appropriate State law shall be applied; except that—

"(1) if a man and woman have been determined to be husband and wife under section 216(h)(1) for

purposes of title II they shall be considered (from and after the date of such determination or the date of their application for benefits under this title, whichever is later) to be husband and wife for purposes of this title, or

"(2) if a man and woman are found to be holding themselves out to the community in which they reside as husband and wife, they shall be so considered for purposes of this title notwithstanding any other provision of this section.

"United States

"(e) For purposes of this title, the term 'United States', when used in a geographical sense, means the States and the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, and Guam.

"Income and Resources of Individuals Other Than Eligible Individuals and Eligible Spouses

"(f) (1) For purposes of determining eligibility for and the amount of benefits for any individual who is married and whose spouse is living with him in the same household but is not an eligible spouse, such individual's income and resources shall be deemed to include any income and resources of such spouse, whether or not available to such individual, except to the extent determined by the Secretary to be inequitable under the circumstances.

"(2) For purposes of determining eligibility for and the

amount of benefits for any individual who is a child under age 21, such individual's income and resources shall be deemed to include any income and resources of a parent of such individual (or the spouse of such a parent) who is living in the same household as such individual, whether or not available to such individual, except to the extent determined by the Secretary to be inequitable under the circumstances.

"REHABILITATION SERVICES FOR BLIND AND DISABLED INDIVIDUALS

"SEC. 2015. (a) In the case of any blind or disabled individual who—

"(1) has not attained age 65, and

"(2) is receiving benefits (or with respect to whom benefits are paid) under this title,

the Secretary shall make provision for referral of such individual to the appropriate State agency administering the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act, and (except in such cases as he may determine) for a review not less often than quarterly of such individual's blindness or disability and his need for and utilization of the rehabilitation services made available to him under such plan.

"(b) Every individual with respect to whom the Secretary is required to make provision for referral under subsection (a) shall accept such rehabilitation services as are made

available to him under the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act; and the Secretary is authorized to pay to the State agency administering or supervising the administration of such State plan the costs incurred in the provision of such services to individuals so referred.

"(c) No individual shall be an eligible individual or eligible spouse for purposes of this title if he refuses without good cause to accept vocational rehabilitation services for which he is referred under subsection (a).

"OPTIONAL STATE SUPPLEMENTATION

"SEC. 2016. (a) Any cash payments which are made by a State (or political subdivision thereof) on a regular basis to individuals who are receiving benefits under this title or who would but for their income be eligible to receive benefits under this title, as assistance based on need in supplementation of such benefits (as determined by the Secretary), shall be excluded under section 2012(b)(4) in determining the income of such individuals for purposes of this title only if (1) the Secretary and such State enter into an agreement which satisfies subsection (b) and which may at the option of the State provide that the Secretary will, on behalf of such State (or subdivision), make such supplementary payments to all such individuals, and (2) such supplementary payments

are made to such individuals in accordance with such agreement.

"(b) Any agreement between the Secretary and a State entered into under subsection (a) shall provide—

"(1) that in determining the eligibility of any individual for supplementary payments on the basis of his income, all the provisions of section 2012 (b) will apply, except that with respect to any quarter—

"(A) if benefits are paid to such individual for such quarter under this title, such benefits will not be excluded from income in applying paragraph (4) of such section, and

"(B) if no benefits are paid to such individual for such quarter under this title, the requirement of this paragraph shall not apply with respect to such individual; except that the supplementary payment shall not be reduced, on account of income in excess of the maximum amount which such individual could have and still receive such a benefit, by an amount greater than such excess,

and, if the agreement provides that the Secretary will, on behalf of the State (or political subdivision), make the supplementary payments to individuals receiving benefits under this title, shall also provide—

"(2) that such payments will be made (subject to

subsection (c) (2)) to all individuals residing in such State (or subdivision) who are receiving benefits under this title, and

"(3) such other rules with respect to eligibility for or amount of the supplementary payments, and such procedural or other general administrative provisions, as the Secretary finds necessary (subject to subsection (c)) to achieve efficient and effective administration of both the program which he conducts under this title and the optional State supplementation.

"(c) (1) Any State (or political subdivision), in determining the eligibility of any individual for supplementary payments described in subsection (a), may disregard up to $7.50 of any income in addition to other amounts which it is required or permitted to disregard under this section in determining such eligibility, and may include a provision to that effect in the State's agreement with the Secretary under subsection (a).

"(2) Any State (or political subdivision) making supplementary payments described in subsection (a) may at its option impose as a condition of eligibility for such payments, and include in the State's agreement with the Secretary under such subsection, a residence requirement which excludes individuals who have resided in the State (or political

subdivision) for less than a minimum period prior to application for such payments.

"(d) Any State which has entered into an agreement with the Secretary under this section which provides that the Secretary will, on behalf of the State (or political subdivision), make the supplementary payments to individuals who are receiving benefits under this title (or who would but for their income be eligible to receive such benefits), shall, subject to section 503 of the Social Security Amendments of 1971, at such times and in such installments as may be agreed upon between the Secretary and such State, pay to the Secretary an amount equal to the expenditures made by the Secretary as such supplementary payments.

"PART B—PROCEDURAL AND GENERAL PROVISIONS

"PAYMENTS AND PROCEDURES

"Payment of Benefits

"SEC. 2031. (a) (1) Benefits under this title shall be paid at such time or times and in such installments as will best effectuate the purposes of this title, as determined under regulations (and may in any case be paid less frequently than monthly where the amount of the monthly benefit would not exceed $10).

"(2) Payments of the benefit of any individual may be made to any such individual or to his eligible spouse (if any) or partly to each, or, if the Secretary deems it appro-

priate, to any other person (including an appropriate public or private agency) who is interested in or concerned with the welfare of such individual (or spouse).

"(3) The Secretary may by regulation establish ranges of incomes within which a single amount of benefits under this title shall apply.

"(4) The Secretary—

"(A) may make, to any individual initially applying for benefits under this title who is presumptively eligible for such benefits and who is faced with financial emergency, a cash advance against such benefits in an amount not exceeding $100; and

"(B) may pay benefits under this title to an individual applying for such benefits on the basis of disability for a period not exceeding 3 months prior to the determination of such individual's disability, if such individual is presumptively disabled and is determined to be otherwise eligible for such benefits, and any benefits so paid prior to such determination shall in no event be considered overpayments for purposes of subsection (b).

"(5) Payment of the benefit of any individual who is an aged, blind, or disabled individual solely by reason of blindness (as determined under section 2014(a)(2)) or disability (as determined under section 2014(a)(3)), and who

ceases to be blind or to be under such disability, shall continue (so long as such individual is otherwise eligible) through the second month following the month in which such blindness or disability ceases.

"Overpayments and Underpayments

"(b) Whenever the Secretary finds that more or less than the correct amount of benefits has been paid with respect to any individual, proper adjustment or recovery shall, subject to the succeeding provisions of this subsection, be made by appropriate adjustments in future payments to such individual or by recovery from or payment to such individual or his eligible spouse (or by recovery from the estate of either). The Secretary shall make such provision as he finds appropriate in the case of payment of more than the correct amount of benefits with respect to an individual with a view to avoiding penalizing such individual or his eligible spouse who was without fault in connection with the overpayment, if adjustment or recovery on account of such overpayment in such case would defeat the purposes of this title, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration of this title.

"Hearings and Review

"(c) (1) The Secretary shall provide reasonable notice and opportunity for a hearing to any individual who is or claims to be an eligible individual or eligible spouse and is in

disagreement with any determination under this title with respect to eligibility of such individual for benefits, or the amount of such individual's benefits, if such individual requests a hearing on the matter in disagreement within thirty days after notice of such determination is received.

"(2) Determination on the basis of such hearing, except to the extent that the matter in disagreement involves the existence of a disability (within the meaning of section 2014 (a) (3)), shall be made within ninety days after the individual requests the hearing as provided in paragraph (1).

"(3) The final determination of the Secretary after a hearing under paragraph (1) shall be subject to judicial review as provided in section 205 (g) to the same extent as the Secretary's final determinations under section 205; except that the determination of the Secretary after such hearing as to any fact shall be final and conclusive and not subject to review by any court.

"Procedures; Prohibition of Assignments; Representation of Claimants

"(d) (1) The provisions of section 207 and subsections (a), (d), (e), and (f) of section 205 shall apply with respect to this part to the same extent as they apply in the case of title II.

"(2) To the extent the Secretary finds it will promote the achievement of the objectives of this title, qualified

persons may be appointed to serve as hearing examiners in hearings under subsection (c) without meeting the specific standards prescribed for hearing examiners by or under subchapter II of chapter 5 of title 5, United States Code.

"(3) The Secretary may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys, as hereinafter provided, representing claimants before the Secretary under this title, and may require of such agents or other persons, before being recognized as representatives of claimants, that they shall show that they are of good character and in good repute, possessed of the necessary qualifications to enable them to render such claimants valuable service, and otherwise competent to advise and assist such claimants in the presentation of their cases. An attorney in good standing who is admitted to practice before the highest court of the State, Territory, District, or insular possession of his residence or before the Supreme Court of the United States or the inferior Federal courts, shall be entitled to represent claimants before the Secretary. The Secretary may, after due notice and opportunity for hearing, suspend or prohibit from further practice before him any such person, agent, or attorney who refuses to comply with the Secretary's rules and regulations or who violates any provision of this paragraph for which a penalty is prescribed. The Secretary may, by rule and regulation, prescribe the maxi-

mum fees which may be charged for services performed in connection with any claim before the Secretary under this title, and any agreement in violation of such rules and regulations shall be void. Any person who shall, with intent to defraud, in any manner willfully and knowingly deceive, mislead, or threaten any claimant or prospective claimant or beneficiary under this title by word, circular, letter, or advertisement, or who shall knowingly charge or collect directly or indirectly any fee in excess of the maximum fee, or make any agreement directly or indirectly to charge or collect any fee in excess of the maximum fee, prescribed by the Secretary, shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall for each offense be punished by a fine not exceeding $500 or by imprisonment not exceeding one year, or both.

"Applications and Furnishing of Information

"(e) (1) The Secretary shall prescribe such requirements with respect to the filing of applications, the suspension or termination of assistance, the furnishing of other data and material, and the reporting of events and changes in circumstances, as may be necessary for the effective and efficient administration of this title.

"(2) In case of the failure by any individual to submit a report of events and changes in circumstances relevant to eligibility for or amount of benefits under this title as required

by the Secretary under paragraph (1), or delay by any individual in submitting a report as so required, the Secretary (in addition to taking any other action he may consider appropriate under paragraph (1)) shall reduce any benefits which may subsequently become payable to such individual under this title by—

"(A) $25 in the case of the first such failure or delay,

"(B) $50 in the case of the second such failure or delay, and

"(C) $100 in the case of the third or a subsequent such failure or delay,

except where the individual was without fault or good cause for such failure or delay existed.

"Furnishing of Information by Other Agencies

"(f) The head of any Federal agency shall provide such information as the Secretary needs for purposes of determining eligibility for or amount of benefits, or verifying other information with respect thereto.

"PENALTIES FOR FRAUD

"SEC. 2032. Whoever—

"(1) knowingly and willfully makes or causes to be made any false statement or representation of a material fact in any application for any benefit under this title,

"(2) at any time knowingly and willfully makes or

causes to be made any false statement or representation of a material fact for use in determining rights to any such benefit,

"(3) having knowledge of the occurrence of any event affecting (A) his initial or continued right to any such benefit, or (B) the initial or continued right to any such benefit of any other individual in whose behalf he has applied for or is receiving such benefit, conceals or fails to disclose such event with an intent fraudulently to secure such benefit either in a greater amount or quantity than is due or when no such benefit is authorized, or

"(4) having made application to receive any such benefit for the use and benefit of another and having received it, knowingly and willfully converts such benefit or any part thereof to a use other than for the use and benefit of such other person,

shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

"ADMINISTRATION

"SEC. 2033. The Secretary may make such administrative and other arrangements (including arrangements for the determination of blindness and disability under section 2014 (a) (2) and (3) in the same manner and subject to the

same conditions as provided with respect to disability determinations under section 221) as may be necessary or appropriate to carry out his functions under this title.

"EVALUATION AND RESEARCH; REPORTS

"SEC. 2034. (a) (1) The Secretary shall provide for the continuing evaluation of the program conducted under this title, including its effectiveness in achieving its goals and its impact on other related programs. The Secretary may conduct research regarding, and demonstrations of, ways to improve the effectiveness of the program conducted under this title, and in so doing may waive any requirement or limitation imposed by or pursuant to this title to the extent he deems appropriate. The Secretary may, for these purposes, contract for evaluations of and research regarding such program.

"(2) Of the sums authorized by section 2001 to be appropriated for any fiscal year, not more than $5,000,000 shall be appropriated for purposes of paragraph (1).

"(b) The Secretary shall, in conducting the activities provided for in subsection (a) (1), utilize the data collection, processing, and retrieval system established for use in the operation and administration of the program under this title.

"(c) The Secretary shall make an annual report to the President and the Congress on the operation and adminis-

tration of the program under this title, including an evaluation thereof in carrying out the purposes of this title and recommendations with respect thereto."

CONFORMING AMENDMENTS RELATING TO AID TO THE AGED, BLIND, OR DISABLED

SEC. 302. (a) The heading of title XVI of the Social Security Act is amended to read as follows:

"TITLE XVI—GRANTS TO STATES FOR SERVICES TO THE AGED, BLIND, OR DISABLED".

(b) (1) The first sentence of section 1601 of such Act is amended to read as follows: "For the purpose of encouraging each State, as far as practicable under the conditions in such State, to furnish rehabilitation and other services to help needy individuals who are 65 years of age or over, are blind, or are disabled to attain or retain capability for self-support or self-care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title."

(2) The second sentence of section 1601 of such Act is amended by striking out "State plans" and all that follows and inserting in lieu thereof "State plans for services to the aged, blind, or disabled."

(c) The heading of section 1602 of such Act is amended to read as follows:

"STATE PLANS FOR SERVICES TO THE AGED, BLIND, OR DISABLED".

(d) (1) Section 1602 (a) of such Act is amended—

(A) by striking out "for aid to the aged, blind, or disabled, or for aid to the aged, blind, or disabled and medical assistance for the aged" in the matter preceding paragraph (1) and inserting in lieu thereof "for services to the aged, blind, or disabled";

(B) by striking out "with respect to services" in paragraph (1) (as amended by section 522 (e) of this Act);

(C) by striking out paragraph (4);

(D) (i) by striking out "recipients and other persons" in paragraph (5) (B) and inserting in lieu thereof "persons", and

(ii) by striking out "providing services to applicants and recipients" in such paragraph and inserting in lieu thereof "providing services under the plan";

(E) by striking out "applicants and recipients" in paragraph (7) and inserting in lieu thereof "persons seeking or receiving services under the plan";

(F) by striking out paragraph (8);

(G) by striking out "aid or assistance to or on be-

half of individuals" in paragraph (9) and inserting in lieu thereof "services to individuals";

(H) (i) by striking out "(if any)" in paragraph (10), and

(ii) by striking out "to applicants for or recipients of aid or assistance under the plan to help them attain self-support or self-care" in such paragraph and inserting in lieu thereof "under the plan";

(I) by striking out paragraph (11);

(J) by striking out "aid or assistance" in paragraph (13) and inserting in lieu thereof "services";

(K) by striking out paragraphs (14) and (15);

(L) (i) by striking out "aid or assistance to or on behalf of" in the matter preceding subparagraph (A) of paragraph (16) and inserting in lieu thereof "services to",

(ii) by adding "and" after the semicolon at the end of subparagraph (B) of such paragraph,

(iii) by striking out "recipients 65 years of age or older" in subparagraph (C) of such paragraph and inserting in lieu thereof "persons receiving services under the State plan who are 65 years of age or older and",

(iv) by striking out ", including appropriate medi-

cal treatment and other aid or assistance" in such subparagraph (C),

(v) by striking out "section 1603 (a) (4) (A) (i) and (ii)" in such subparagraph (C) and inserting in lieu thereof "section 1603 (a) (1) (A) (i) and (ii)",

(vi) by striking out "such recipient" each place it appears in such subparagraph (C) and inserting in lieu thereof "such persons receiving services",

(vii) by striking out "and" at the end of such subparagraph (C), and

(viii) by striking out subparagraph (D) of such paragraph;

(M) (i) by striking out "aid or assistance to or on behalf of" in paragraph (17) and inserting in lieu thereof "services to", and

(ii) by striking out the period at the end of such paragraph and inserting in lieu thereof "; and";

(N) by inserting after paragraph (17) the following new paragraph:

"(18) provide that, to the extent services under the plan are furnished by the staff of the State or local agency administering the plan in any political subdivision of the State, such staff will be located in organizational units (up to such organizational levels as the Secretary may prescribe) which are separate and distinct

from the units within such agencies responsible for determining eligibility for any form of cash assistance paid on a regularly recurring basis or for performing any functions directly related thereto, subject to any exceptions which, in accordance with standards prescribed in regulations, the Secretary may permit when he deems it necessary in order to ensure the effective administration of the plan."; and

(O) by striking out "the State plan for aid to the aged, blind, or disabled (or for aid to the aged, blind, or disabled and medical assistance for the aged)" in the last sentence and inserting in lieu thereof "the State plan for services to the aged, blind, or disabled".

(2) Paragraphs (5), (6), (7), (9), (10), (12), (13), (16), (17), and (18) of section 1602(a) of such Act, as amended by paragraph (1) of this subsection, are redesignated as paragraphs (4) through (13), respectively.

(e) Section 1602(b) of such Act is amended—

(1) by striking out "aid or assistance" in the matter preceding paragraph (1) and inserting in lieu thereof "services";

(2) by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) any residence requirement which excludes any individual who resides in the State; or"; and

(3) by striking out the last sentence.

(f) Section 1602(c) of such Act is repealed.

(g) Section 1603(a) of such Act is amended—

(1) by striking out paragraphs (1), (2), and (3);

(2) by redesignating paragraph (4) as paragraph (1), and—

(A) by striking out "applicants for or recipients of aid or assistance" in clause (i) of subparagraph (A) of such paragraph and inserting in lieu thereof "individuals (including applicants for and recipients of assistance under title XX)",

(B) by striking out "applicants or recipients" in clause (ii) of subparagraph (A) of such paragraph and inserting in lieu thereof "individuals",

(C) by striking out "aid or assistance under the plan" in clause (iii) of subparagraph (A) of such paragraph and inserting in lieu thereof "assistance under title XX",

(D) by striking out "to applicants for or recipients of aid or assistance under the plan" in subparagraph (B) of such paragraph and inserting in lieu thereof "to individuals under the plan", and

(E) by striking out "such aid or assistance" in subparagraph (B) of such paragraph and inserting in lieu thereof "assistance under title XX";

(3) by redesignating paragraph (5) as paragraph (2), and by striking out "paragraph (4)" in such paragraph and inserting in lieu thereof "paragraph (1)".

(h) Section 1603(b) of such Act is amended—

(1) by striking out paragraph (3); and

(2) by redesignating paragraph (4) as paragraph (3).

(i) Section 1603(c) of such Act is amended—

(1) by striking out "paragraph (4) of subsection (a)" each place it appears and inserting in lieu thereof "paragraph (1) of subsection (a)";

(2) by striking out "applicants for or recipients of aid to the aged, blind, or disabled" and inserting in lieu thereof "individuals"; and

(3) by striking out "paragraph (5) of such subsection" and inserting in lieu thereof "paragraph (2) of such subsection".

(j) Section 1604(1) of such Act is amended by striking out "has been so changed that it".

(k) Section 1605 of such Act is amended to read as follows:

"DEFINITION

"SEC. 1605. For purposes of this title, the term 'services to the aged, blind, or disabled' means services (including but not limited to the services referred to in section

1603 (a) (1) (A) and (B)) provided for or on behalf of needy individuals who are 65 years of age or older, are blind, or are disabled."

(l) References in any law, regulation, State plan, or other document to any provision of title XVI of the Social Security Act which is redesignated by this section shall to the extent appropriate (from and after the effective date of the amendments made by this section) be considered to be references to such provision as so redesignated.

REPEAL OF TITLES I, X, AND XIV OF THE SOCIAL SECURITY ACT

SEC. 303. Titles I, X, and XIV of the Social Security Act are repealed.

PROVISION FOR DISREGARDING OF CERTAIN INCOME IN DETERMINING NEED FOR AID TO THE AGED, BLIND, OR DISABLED FOR ASSISTANCE

SEC. 304. (a) Effective upon the enactment of this Act, section 1007 of the Social Security Amendments of 1969 is amended by striking out "and before January 1972" and inserting in lieu thereof "and before July 1972".

(b) Effective July 1, 1972, such section 1007 (as amended by subsection (a) of this section) is amended—

(1) by striking out "the requirements imposed by law as a condition of approval of a State plan to provide aid to individuals under title I, X, XIV, or XVI

of the Social Security Act" and inserting in lieu thereof "the requirements which a State must meet in order to have supplementary payments made pursuant to an agreement under section 2016 of the Social Security Act excluded from income for purposes of title XX of such Act";

(2) by striking out " (and the plan shall be deemed to require) ";

(3) by striking out "for aid for any month after March 1970 and before July 1972" and inserting in lieu thereof "for such a supplementary payment for any month";

(4) by striking out "the aid received by him" in paragraphs (1) and (2) and inserting in lieu thereof "the supplementary payment";

(5) by striking out "the State plan" in paragraph (1) and inserting in lieu thereof "the State plan approved under title I, X, XIV, or XVI of the Social Security Act".

(6) by adding at the end thereof (after and below paragraph (2)) the following new sentence:

"Notwithstanding the preceding provisions of this section, State supplementary payments under an agreement under section 2016 of the Social Security Act which do not otherwise meet the specific requirements of such provisions shall

nevertheless be deemed to meet such requirements for any month if in computing the supplementary payment of any individual receiving monthly insurance benefits under title II of such Act, or an annuity or pension under the Railroad Retirement Act of 1937, not less than $4 of such benefit, annuity, or pension is disregarded or excluded from income in addition to any amounts which would otherwise be so disregarded or excluded."

ADVANCES FROM OASI TRUST FUND FOR ADMINISTRATIVE EXPENSES

SEC. 305. (a) Section 201 (g) (1) (A) of the Social Security Act is amended—

(1) by striking out "this title and title XVIII" wherever it appears and inserting in lieu thereof "this title, title XVIII, and title XX";

(2) by striking out "costs which should be borne by each of the Trust Funds" and inserting in lieu thereof "costs which should be borne by each of the Trust Funds and (with respect to title XX) by the general revenues of the United States"; and

(3) by striking out "in order to assure that each of the Trust Funds bears" and inserting in lieu thereof "in order to assure that (after appropriations made pursuant to section 2001, and repayment to the Trust Funds

from amounts so appropriated) each of the Trust Funds and the general revenues of the United States bears"

(b) (1) Sums appropriated pursuant to section 2001 of the Social Security Act shall be utilized from time to time, in amounts certified under the second sentence of section 201 (g) (1) (A) of such Act, to repay the Trust Funds for expenditures made from such Funds in any fiscal year under section 201 (g) (1) (A) of such Act (as amended by subsection (a) of this section) on account of the costs of administration of title XX of such Act (as added by section 301 of this Act).

(2) If the Trust Funds have not theretofore been repaid for expenditures made in any fiscal year (as described in paragraph (1)) to the extent necessary on account of—

(A) expenditures made from such Funds prior to the end of such fiscal year to the extent that the amount of such expenditures exceeded the amount of the expenditures which would have been made from such Funds if subsection (a) had not been enacted,

(B) the additional administrative expenses, if any, resulting from the excess expenditures described in subparagraph (A), and

(C) any loss in interest to such Funds resulting from such excess expenditures and such administrative expenses,

in order to place each such Fund in the same position (at the end of such fiscal year) as it would have been in if such excess expenditures had not been made, the amendments made by subsection (a) shall cease to be effective at the close of the fiscal year following such fiscal year.

(3) As used in this subsection, the term "Trust Funds" has the meaning given it in section 201 (g) (1) (A) of the Social Security Act.

TITLE IV—FAMILY PROGRAMS

ESTABLISHMENT OF OPPORTUNITIES FOR FAMILIES PROGRAM AND FAMILY ASSISTANCE PLAN

SEC. 401. The Social Security Act is amended by adding at the end thereof (after the new title added by section 301 of this Act) the following new title:

"TITLE XXI—OPPORTUNITIES FOR FAMILIES PROGRAM AND FAMILY ASSISTANCE PLAN

"PURPOSE; APPROPRIATIONS

"SEC. 2101. For the purpose of—

"(1) providing for members of needy families with children the manpower services, training, employment, child care, family planning, and related services which are necessary to train them, prepare them for employment, and otherwise assist them in securing and retaining

regular employment and having the opportunity for advancement in employment, to the end that such families will be restored to self-supporting, independent, and useful roles in their communities, and

"(2) providing a basic level of financial assistance throughout the Nation to needy families with children in a manner which will encourage work, training, and self-support, improve family life, and enhance personal dignity,

there are authorized to be appropriated, for each of the five fiscal years in the period beginning July 1, 1972, and ending June 30, 1977, sums sufficient to carry out this title.

"BASIC ELIGIBILITY FOR BENEFITS

"SEC. 2102. Every family which is determined under part C to be eligible on the basis of its income and resources shall, upon registration for manpower services, training, and employment by any of its members who are available for employment (as determined under section 2111) and in accordance with and subject to the other provisions of this title, be paid benefits by the Secretary of Labor under part A, or, if such family has no members who are registered for such services, training, and employment, shall be paid benefits by the Secretary of Health, Education, and Welfare under part B.

"PART A—OPPORTUNITIES FOR FAMILIES PROGRAM

"REGISTRATION OF FAMILY MEMBERS FOR MANPOWER SERVICES, TRAINING, AND EMPLOYMENT

"SEC. 2111. (a) Every individual who is determined by the Secretary of Health, Education, and Welfare to be a member of an eligible family and to be available for employment shall register with the Secretary of Labor for manpower services, training, and employment.

"(b) Any individual shall be considered to be available for employment for purposes of this title unless he is determined by the Secretary of Health, Education, and Welfare to be—

"(1) unable to engage in work or training by reason of illness, incapacity, or advanced age;

"(2) a mother or other relative of a child under the age of three (or, until July 1, 1974, under the age of six) who is caring for such child;

"(3) the mother or other female caretaker of a child, if the father or another adult male relative is in the home and not excluded by paragraph (1), (2), (4), or (5) of this subsection (unless he has failed to register as required by subsection (a), or to accept services or employment or participate in training as required by subsection (c));

"(4) a child who is under the age of sixteen or meets the requirements of section 2155(b)(2); or

"(5) one whose presence in the home on a substantially continuous basis is required because of the illness or incapacity of another member of the household.

An individual described in paragraph (2), (3), (4), or (5) who would, but for the preceding sentence, be required to register pursuant to subsection (a), may, if he wishes, register as provided in such subsection, and upon so registering he shall be considered as available for employment for purposes of this title.

"(c)(1) Every individual who is registered as required by subsection (a) shall participate in manpower services or training, and accept and continue to participate in employment in which he is able to engage, except where good cause exists for failure to participate in such services or training or to accept and continue to participate in such employment, as provided by the Secretary of Labor.

"(2) No individual shall be required by paragraph (1) to accept employment if—

"(A) the position offered is vacant due directly to a strike, lockout, or other labor dispute;

"(B) the wages, hours, or other terms or conditions of the work offered are contrary to or less than

those prescribed by applicable Federal, State, or local law or are less favorable to the individual than those prevailing for similar work in the locality, or the wages for the work offered are at an hourly rate of less than three-fourths of the minimum wage specified in section 6 (a) (1) of the Fair Labor Standards Act of 1938;

"(C) as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization; or

"(D) the individual has the demonstrated capacity, through other available training or employment opportunities, of securing work available to him that would better enable him to achieve self-sufficiency.

"CHILD CARE AND OTHER SUPPORTIVE SERVICES

"SEC. 2112. (a) (1) The Secretary of Labor shall make provision for the furnishing of child care services in such cases and for so long as he deems appropriate (subject to section 2179) for individuals who are currently registered pursuant to section 2111 (a) or referred pursuant to section 2117 (a) (or who have been so registered or referred within such period or periods of time as the Secretary of Labor may prescribe) and who need child care services in order to accept or continue to participate in manpower services, training, or employment, or vocational rehabilitation services.

"(2) In making provision for the furnishing of child care services under this subsection, the Secretary of Labor shall, in accordance with standards established pursuant to section 2134(a), arrange for or purchase, from whatever sources may be available, all such necessary child care services, including necessary transportation. Where available, services provided through facilities developed by the Secretary of Health, Education, and Welfare shall be utilized on a priority basis.

"(3) In cases where child care services cannot as a practical matter be made available in facilities developed by the Secretary of Health, Education, and Welfare, the Secretary of Labor may provide such services (A) by grants to public or nonprofit private agencies or contracts with public or private agencies or other persons, through such public or private facilities as may be available and appropriate (except that no such funds may be used for the construction of facilities (as defined in section 2134(b)(2)), and (B) through the assurance of such services from other appropriate sources. In addition to other grants or contracts made under clause (A) of the preceding sentence, grants or contracts under such clause may be made to or with any agency which is designated by the appropriate elected or appointed official or officials in such area and which demonstrates a capacity to work effectively with the manpower

agency in such area (including provision for the stationing of personnel with the manpower team in appropriate cases). To the extent appropriate, such care for children attending school which is provided on a group or institutional basis shall be provided through arrangements with the appropriate local educational agency.

"(4) The Secretary of Labor may require individuals receiving child care services made available under paragraph (2) or provided under paragraph (3) to pay (in accordance with the schedule or schedules prescribed under section 2134(a)) for part or all of the cost thereof, and may require (as a condition of benefits under this part) that individuals receiving child care services otherwise furnished pursuant to provision made by him under paragraph (1) shall pay for the cost of such services if such cost will be excludable under section 2153(b)(3).

"(5) In order to promote, in a manner consistent with the purposes of this title, the effective provision of child care services, the Secretary of Labor shall assure the close cooperation of the manpower agency with the providers of child care services and shall, through the utilization of training programs and in cooperation with the Secretary of Health, Education, and Welfare, prepare persons registered pursuant to section 2111 for employment in child care facilities.

"(6) The Secretary of Labor shall regularly report to

the Secretary of Health, Education, and Welfare concerning the amount and location of the child care services which he has had to provide (and expects to have to provide) under paragraph (3) because such services were not (or will not be) available under paragraph (2).

"(7) Of the amount appropriated to enable the Secretary of Labor to carry out his responsibilities under this subsection for any fiscal year, not less than 50 percent shall be expended by the Secretary of Labor in accordance with a formula under which the expenditures made in any State shall bear the same ratio to the total of such expenditures in all the States as the number of mothers registered under section 2111 in such State bears to the total number of mothers so registered in all the States.

"(b) (1) The Secretary of Labor shall make provision for the furnishing of the health, vocational rehabilitation, counseling, social, and other supportive services (including physical examinations and minor medical services) which he determines under regulations to be necessary to permit an individual who has registered pursuant to section 2111 (a) to undertake or continue manpower training or employment under this part.

"(2) In addition, the Secretary of Labor shall make provision for the offering, to all appropriate members of families which include one or more individuals registered

pursuant to section 2111(a), of family planning services, the acceptance of which by any such member shall be voluntary on the part of such member and shall not be a prerequisite to eligibility for or receipt of benefits under this part or otherwise affect the amount of such benefits.

"(3) Services furnished under this subsection shall be provided in close cooperation with manpower training and employment services provided under this part. In providing services under this subsection the Secretary of Labor, to the maximum extent feasible, shall assure that such services are provided in such manner, through such means, and using such authority available under any other Act (subject to all duties and responsibilities thereunder) as will make maximum use of existing facilities, programs, and agencies.

"(4) Of the sums authorized by section 2101 to be appropriated for the fiscal year ending June 30, 1973, not more than $100,000,000 shall be appropriated to the Secretary of Labor to enable him to carry out his responsibilities under paragraph (1) of this subsection.

"PAYMENT OF BENEFITS

"SEC. 2113. Every eligible family (other than a family meeting the conditions for payment of benefits under section 2131) shall, in accordance with and subject to the other provisions of this title, be paid benefits by the Secretary of Labor as provided in Part C.

"OPERATION OF MANPOWER SERVICES, TRAINING, AND EMPLOYMENT PROGRAMS

"SEC. 2114. (a) The Secretary of Labor shall develop, for each individual registered pursuant to section 2111 (a), an employability plan describing the manpower services, training, and employment which the individual needs in order to enable him to become self-supporting and secure and retain employment and opportunities for advancement. Employability plans under this subsection shall be developed in accordance with priorities prescribed by the Secretary of Labor, which shall give first priority to mothers and pregnant women registered pursuant to section 2111 (a) who are under nineteen years of age.

"(b) The Secretary of Labor shall establish manpower services, training, and employment programs for individuals registered pursuant to section 2111 (a), and shall, through such programs, provide or assure the provision of manpower services, training, and employment necessary to prepare such individuals for and place them in regular employment, including—

"(1) any of such services, training, and employment which the Secretary of Labor is authorized to provide under any other Act;

"(2) counseling, testing, coaching, program orientation, institutional and on-the-job training, work experi-

ence, upgrading, job development, job placement, and followup services required to assist in securing and retaining employment and opportunities for advancement;

"(3) relocation assistance, including grants, loans, and the furnishing of such services as will aid an involuntarily unemployed individual who desires to relocate to do so in an area where there is assurance of regular employment; and

"(4) public service employment programs.

"(c) (1) For the purpose of subsection (b) (4), a 'public service employment program' is a program designed to provide employment as described in paragraph (2) for individuals who (during the period of such employment) are not otherwise able to obtain employment or to be effectively placed in training programs. Such a program shall provide employment relating to such fields as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, and public safety or any other field which would benefit the community, the State, or the United States as a whole, by improving physical, social, or economic conditions.

"(2) The Secretary of Labor shall provide for the development of public service employment programs through grants to or contracts with any public or nonprofit private

agency or organization. Such programs shall be designed with a view toward—

"(A) providing for development of employability through actual work experience; and

"(B) enabling individuals employed under public service employment programs to move into regular public or private employment.

"(3) Before making any grant or entering into any contract for a public service employment program under this subsection, the Secretary of Labor must receive assurances that—

"(A) appropriate standards for health, safety, and other conditions applicable to the performance of work and training have been established and will be maintained;

"(B) available employment opportunities will be increased and the program will not result in a reduction in the employment and labor costs of any employer or in the displacement of persons currently employed, including partial displacement resulting from a reduction in hours of work or wages, or employment benefits;

"(C) the conditions of work, training, education, and employment are reasonable in the light of such factors as the type of work, the geographic region, and the proficiency of the participants;

"(D) appropriate workmen's compensation protection is provided to all participants; and

"(E) the employability of participants will be increased.

"(4) Wages paid to an individual participating in a public service employment program shall be equal to the highest of—

"(A) the prevailing rate of wages in the same labor market area for persons employed in similar public occupations;

"(B) the applicable minimum wage rate prescribed by Federal, State, or local law; or

"(C) the minimum wage specified in section 6(a)(1) of the Fair Labor Standards Act of 1938.

"(5) The Secretary of Labor shall periodically (but not less frequently than once every six months) review the employment record of each individual participating in a public service employment program. On the basis of that record and any other information he may require, the Secretary of Labor shall determine the feasibility of placing such individual in regular employment or in on-the-job, institutional, or other training.

"(6) The Secretary of Labor shall make payments for not more than the first three years of an individual's employment in any public service employment program. Payments

during the first year of such individual's employment shall not exceed 100 percent of the cost of providing such employment to such individual during such first year, payments during the second year of such individual's employment shall not exceed 75 percent of the cost of providing such employment to such individual during such second year, and payments during the third year of such individual's employment shall not exceed 50 percent of the cost of providing such employment to such individual during such third year.

"(d) In order to assure an adequate supply of information concerning opportunities for employment by States and their political subdivisions, any State or political subdivision receiving Federal assistance, through a grant-in-aid or contract under this title or any other provision of law, shall provide the Secretary of Labor with complete, up-to-date listings of all employment vacancies that the State or political subdivision may have in positions or programs wholly or partially supported through such Federal assistance. The fulfillment of this requirement shall be a condition for receiving such assistance.

"(e) The Secretary of Labor shall enter into agreements with the heads of other Federal agencies administering grant-in-aid programs to establish annual and multi-year goals for the employment of members of families receiving benefits under this title in employment wholly

or partially supported through such Federal assistance. For the purposes of carrying out these agreements Federal agencies may provide, notwithstanding any other provision of law, that the establishment of such goals shall be a condition for receiving such assistance.

"(f) Of the sums authorized by section 2101 to be appropriated for the fiscal year ending June 30, 1973—

"(1) not more than $540,000,000 shall be appropriated to the Secretary of Labor to enable him to carry out his responsibilities under subsections (a) and (b) (except subsection (b) (4)) of this section, and under section 2115, and

"(2) not more than $800,000,000 shall be appropriated to the Secretary of Labor for the public service employment program under subsection (b) (4) of this section.

"ALLOWANCES FOR INDIVIDUALS PARTICIPATING IN TRAINING

SEC. 2115. (a) (1) The Secretary of Labor shall pay to each individual who is a member of an eligible family and who is participating in manpower training under this part an incentive allowance of $30 per month. If one or more members of a family are receiving training for which training allowances are payable under section 203 of the Manpower Development and Training Act and meet the

other requirements under such section (except subsection (l) (1) thereof) for the receipt of allowances which would be in excess of the sum of such family's benefit under this part and any supplementary payment to such family under section 2156, the total of the incentive allowances per month under this section for such members shall be equal to the greater of (A) the amount of such excess or, if lower, the amount of the excess of the training allowances which would be payable under such section 203 as in effect on January 1, 1971, over the sum of such family's benefit under this part and any such supplementary payment, and (B) $30 for each such member.

"(2) The Secretary of Labor shall also pay, to any member of an eligible family participating in manpower training under this part, allowances for transportation and other costs to such member which are reasonably necessary to and directly related to such member's participation in training.

"(b) Allowances under this section shall be in lieu of allowances provided for participants in manpower training programs under any other Act.

"(c) Subsection (a) shall not apply to any member of an eligible family who is receiving wages under a program of the Secretary of Labor or who is participating in manpower training which has the purpose of obtaining for him

an undergraduate or graduate degree at a college or university.

"UTILIZATION OF OTHER PROGRAMS

"SEC. 2116. In providing the manpower training and employment services and opportunities required by this part the Secretary of Labor, to the maximum extent feasible, shall assure that such services and opportunities are provided in such manner, through such means, and using all of such authority available to him under any other Act (and subject to all duties and responsibilities thereunder) as will further the establishment of an integrated and comprehensive manpower training program involving all sectors of the economy and all levels of government.

"REHABILITATION SERVICES FOR INCAPACITATED FAMILY MEMBERS

"SEC. 2117. (a) In the case of any individual who is a member of a family receiving benefits under this part and who is not required to register pursuant to section 2111 (a) solely because of his incapacity under section 2111 (b) (1), the Secretary of Labor shall make provision for referral of such individual to the appropriate State agency administering the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act, and (except in such cases as he may determine) for a review not less often than quarterly of such individual's incapacity and his need

for and utilization of the rehabilitation services made available to him under such plan.

"(b) Every individual with respect to whom the Secretary of Labor is required to make provision for referral under subsection (a) shall accept such rehabilitation services as are made available to him under the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act, except where good cause exists for failure to accept such services; and the Secretary of Labor is authorized to pay to the State agency administering or supervising the administration of such State plan the costs incurred in the provision of such services to such individuals.

"(c) (1) The Secretary of Labor shall pay to each family member with respect to whom the Secretary of Labor is required to make provision for referral under subsection (a) and who is receiving vocational rehabilitation services pursuant to such provision an incentive allowance of $30 per month.

"(2) The Secretary of Labor shall also pay, to any member of an eligible family with respect to whom the Secretary of Labor is required to make provision for referral under subsection (a) and who is receiving vocational rehabilitation services pursuant to such provision, allowances for transportation and other costs to such member which are necessary to

and directly related to such member's participation in training.

"(3) Allowances under this subsection shall be in lieu of allowances provided for participants in vocational rehabilitation services under any other Act.

"EVALUATION AND RESEARCH; REPORTS

"SEC. 2118. (a) (1) The Secretary of Labor shall provide for the continuing evaluation of the program conducted under this part and of activities conducted under parts C and D insofar as they involve or are related to such program, including the effectiveness of such program in achieving its goals and its impact on other related programs. The Secretary of Labor may conduct research regarding, and demonstrations of, ways to improve the effectiveness of the program conducted under this part, and in so doing may waive any requirement or limitation imposed by or pursuant to this title to the extent he deems appropriate. The Secretary of Labor may, for these purposes, contract for evaluations of and research regarding such program.

"(2) Of the sums authorized by section 2101 to be appropriated for any fiscal year, not more than $10,000,000 shall be appropriated for purposes of paragraph (1).

"(b) The Secretary shall, in conducting the activities provided for in subsection (a) (1), utilize the data collection, processing, and retrieval system established for use in the

operation and administration of the program under this part.

"(c) The Secretary of Labor shall make an annual report to the President and the Congress on the operation and administration of the program under this part, including an evaluation thereof in carrying out the purposes of this title and recommendations with respect thereto.

"PART B—FAMILY ASSISTANCE PLAN

"PAYMENT OF BENEFITS

"SEC. 2131. Every eligible family in which there is no member available for employment who has registered pursuant to section 2111 shall, in accordance with and subject to the other provisions of this title, be paid benefits by the Secretary of Health, Education, and Welfare as provided in part C.

"REHABILITATION SERVICES FOR INCAPACITATED FAMILY MEMBERS

"SEC. 2132. (a) In the case of any individual who is a member of a family receiving benefits under this part and who is not required to register pursuant to section 2111 (a) solely because of his incapacity under section 2111 (b) (1), the Secretary of Health, Education, and Welfare shall make provision for referral of such individual to the appropriate State agency administering or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act, and (except

in such cases involving permanent incapacity as he may determine) for a review not less often than quarterly of such individual's incapacity and his need for and utilization of the rehabilitation services made available to him under such plan.

"(b) Every individual with respect to whom the Secretary of Health, Education, and Welfare is required to make provision for referral under subsection (a) shall accept such rehabilitation services as are made available to him under the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act, except where good cause exists for failure to accept such services; and the Secretary of Health, Education, and Welfare is authorized to pay to the State agency administering or supervising the administration of such State plan the costs incurred in the provision of such services to such individuals.

"(c) (1) The Secretary of Health, Education, and Welfare shall pay to each family member with respect to whom the Secretary of Health, Education, and Welfare is required to make provision for referral under subsection (a) and who is receiving vocational rehabilitation services pursuant to such provision an incentive allowance of $30 per month.

"(2) The Secretary of Health, Education, and Welfare shall also pay, to any member of an eligible family with respect to whom the Secretary of Health, Education, and Welfare is required to make provision for referral under

subsection (a) and who is receiving vocational rehabilitation services pursuant to such provision, allowances for transportation and other costs to such member which are reasonably necessary to and directly related to such member's participation in such services.

"(3) Allowances under this subsection shall be in lieu of allowances provided for participants in vocational rehabilitation services under any other Act.

"CHILD CARE AND OTHER SUPPORTIVE SERVICES

"SEC. 2133. (a) (1) The Secretary of Health, Education, and Welfare shall make provision for the furnishing of child care services in such cases and for so long as he deems appropriate (subject to section 2179) for individuals who are currently referred pursuant to section 2132 (a) for vocational rehabilitation (or who have been so referred within such period or periods of time as the Secretary of Health, Education, and Welfare may prescribe) and who need child care services in order to be able to participate in the vocational rehabilitation program.

"(2) In making provision for the furnishing of child care services under this subsection, the Secretary of Health, Education, and Welfare shall arrange for and purchase, from whatever sources may be available, all such necessary child care services, including necessary transportation, plac-

ing priority on the use of facilities developed pursuant to section 2134.

"(3) Where child care services cannot as a practical matter be made available in facilities developed pursuant to section 2134, the Secretary of Health, Education, and Welfare may provide such services, by grants to public or nonprofit private agencies or contracts with public or private agencies or other persons, through such public or private facilities as may be available and appropriate (except that no such funds may be used for the construction of facilities (as defined in section 2134(b)(2))). In addition to other grants and contracts made under the preceding sentence, grants or contracts under such sentence may be made to or with any agency which is designated by the appropriate elected or appointed official or officials in such area and which demonstrates a capacity to work effectively with the manpower agency in such area (including provision for the stationing of personnel with the manpower team in appropriate cases). To the extent appropriate, such care for children attending school which is provided on a group or institutional basis shall be provided through arrangements with the appropriate local educational agency.

"(4) The Secretary of Health, Education, and Welfare may require individuals receiving child care services made available under paragraph (2) or provided under

paragraph (3) to pay (in accordance with the schedule or schedules prescribed under section 2134(a)) for part or all of the cost thereof, and may require (as a condition of benefits under this part) that individuals receiving child care services otherwise furnished pursuant to provision made by him under paragraph (1) shall pay for the cost of such services if such cost will be excludable under section 2153(b)(3).

"(b) In addition, the Secretary of Health, Education, and Welfare shall make provision for the offering, to all appropriate members of families receiving benefits under this part, of family planning services, the acceptance of which by any such member shall be voluntary on the part of such member and shall not be a prerequisite to eligibility for or receipt of benefits under this part or otherwise affect the amount of such benefits.

"STANDARDS FOR CHILD CARE; DEVELOPMENT OF FACILITIES

"SEC. 2134. (a) In order to promote the effective provision of child care services, the Secretary of Health, Education, and Welfare shall (1) establish, with the concurrence of the Secretary of Labor, standards assuring the quality of child care services provided under this title, (2) prescribe such schedule or schedules as may be appropriate for determining the extent to which families are to be required (in the

light of their ability) to pay the costs of child care for which provision is made under section 2112(a)(1) or section 2133(a)(1), and (3) coordinate the provision of child care services under this title with other child care and social service programs which are available.

"(b)(1) The Secretary of Health, Education, and Welfare, taking into account the requirement of section 2112(a)(7), is authorized to provide for (and pay part or all of the cost of) the construction of facilities, through grants to or contracts made with public or private nonprofit agencies or organizations, in or through which child care services are to be provided under this title.

"(2) For purposes of this subsection, the term 'construction' means acquisition, alteration, remodeling, or renovation of facilities, and includes, where the Secretary finds it is not feasible to use or adapt existing facilities for use for the provision of child care, construction (including acquisition of land therefor) of facilities for such care.

"(3) If within twenty years of the completion of any construction for which Federal funds have been paid under this subsection—

"(A) the owner of the facility shall cease to be a public or nonprofit private agency or organization, or

"(B) the facility shall cease to be used for the purposes for which it was constructed, unless the Secre-

tary determines in accordance with regulations that there is good cause for releasing the owner of the facility from the obligation to do so.

the United States shall be entitled to recover from the owner of the facility an amount which bears to the then value of the facility (or so much thereof as constituted an approved project or projects) the same ratio as the amount of such Federal funds bore to the cost of construction of the facility financed with the aid of such funds. Such value shall be determined by agreement of the parties or by action brought in the United States district court for the district in which the facility is situated.

"(4) All laborers and mechanics employed by contractors or subcontractors on all construction projects assisted under this subsection shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276(a)-276(a)-5). The Secretary of Labor shall have with respect to the labor standards specified in this subsection the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176) and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276 (c)).

"(5) Of the sums authorized by section 2101 to be appropriated for any fiscal year, not more than $50,000,000

shall be appropriated for purposes of the provisions of this subsection.

"(c) The Secretary of Health, Education, and Welfare is authorized to make grants to any public or nonprofit private agency or organization, and contracts with any public or private agency or organization, for part or all of the cost of planning; establishment of new child care facilities or improvement of existing child care facilities, and operating costs (for periods not in excess of 24 months or for such longer periods as the Secretary finds necessary to insure continued operation) of such new or improved facilities; evaluation; training of personnel, especially the training of individuals receiving benefits pursuant to part A and registered pursuant to section 2111; technical assistance; and research or demonstration projects to determine more effective methods of providing any such care.

"EVALUATION AND RESEARCH; REPORTS

"SEC. 2135. (a) (1) The Secretary of Health, Education, and Welfare shall provide for the continuing evaluation of the program conducted under this part and of activities conducted under parts C and D insofar as they involve or are related to such program, including the effectiveness of such program in achieving its goals and its impact on other related programs. The Secretary of Health, Education, and Welfare may conduct research regarding, and

demonstrations of, ways to improve the effectiveness of the program conducted under this part, and in so doing may waive any requirement or limitation imposed by or pursuant to this title to the extent he deems appropriate. The Secretary of Health, Education, and Welfare may, for these purposes, contract for evaluations of and research regarding such program.

"(2) Of the sums authorized by section 2101 to be appropriated for any fiscal year, not more than $10,000,000 shall be appropriated for purposes of paragraph (1).

"(b) The Secretary shall, in conducting the activities provided for in subsection (a) (1), utilize the data collection, processing, and retrieval system established for use in the operation and administration of the program under this part.

"(c) The Secretary of Health, Education, and Welfare shall make an annual report to the President and the Congress on the operation and administration of the program under this part, including an evaluation thereof in carrying out the purposes of this title and recommendations with respect thereto.

"PART C—DETERMINATION OF BENEFITS

"DETERMINATIONS; REGULATIONS

"SEC. 2151. Except as otherwise specifically provided in this title, determinations under this part and part D shall be made—

"(1) by the Secretary of Labor with respect to benefits payable under part A and families claiming or receiving such benefits (and the term 'Secretary' means the Secretary of Labor when used in this part and part D with respect to such benefits and families), and

"(2) by the Secretary of Health, Education, and Welfare with respect to benefits payable under part B and families claiming or receiving such benefits (and the term 'Secretary' means the Secretary of Health, Education, and Welfare when used in this part and part D with respect to such benefits and families);

but in either case such determinations shall be made under and in accordance with regulations which shall be prescribed by the Secretary of Health, Education, and Welfare with the concurrence of the Secretary of Labor and which shall be designed to assure that such determinations will be made uniformly by the two Secretaries, so that to the maximum extent feasible any such determination made by either such Secretary (including any interpretation of law or application of fact made by either such Secretary as a basis for such a determination) will be the same as the determination which would be made by the other such Secretary on the same facts and under the same circumstances.

"ELIGIBILITY FOR AND AMOUNT OF BENEFITS

"Definition of Eligible Family

"SEC. 2152. (a) Each family (as defined in section 2155)—

"(1) whose income, other than income excluded pursuant to section 2153(b), is at a rate of not more than—

"(A) $800 per year for each of the first two members of the family, plus

"(B) $400 per year for each of the next three members, plus

"(C) $300 per year for each of the next two members, plus

"(D) $200 for the next member, and

"(2) whose resources, other than resources excluded pursuant to section 2154, are not more than $1,500,

shall be an eligible family for purposes of this title.

"Amount of Benefits

"(b) The benefit for a family under part A or part B shall be payable at the rate of—

"(1) $800 per year for each of the first two members of the family, plus

"(2) $400 per year for each of the next three members, plus

"(3) $300 per year for each of the next two members, plus

"(4) $200 for the next member,

reduced by the amount of income, not excluded pursuant to section 2153(b), of the members of the family; except that no such benefit shall be payable to any family if the rate of payment (as otherwise determined under this part) would be less than $10 a month.

"Exclusion of Certain Family Members

"(c) The amount of benefits which is payable to a family as determined in accordance with subsection (b) shall, with respect to each family member (whether or not taken into account under subsection (b) in determining such amount) who is available for employment and fails to register as required by section 2111(a), or fails to accept manpower services or accept or continue in employment or participate in training as required by section 2111(c), or refuses to accept or continue to participate in rehabilitation services as required by section 2117(b) or 2132(b), be reduced by—

"(1) $800 per year in the case of each of the first two such members,

"(2) $400 per year in the case of each of the next three such members,

"(3) $300 per year in the case of the next two such members, and

"(4) $200 per year in the case of the next such member,

or by proportionately smaller amounts for shorter periods.

"Payment of Benefits; Period for Determination of Benefits

"(d) (1) Payment of benefits (prior to determination under paragraph (2) of the amount of the benefits payable) shall be made during any quarter of a calendar year on the basis of the Secretary's estimate of the family's income for such quarter, after taking into account income from preceding quarters and any modifications which are likely to occur on the basis of changes in circumstances or conditions. Eligibility for benefits or the amount of payments shall be redetermined at any time within the quarter that the Secretary receives notice or otherwise has reason to believe that a material change in circumstances has occurred.

"(2) The amount of the benefits payable to any family for any quarter of a calendar year shall be determined in the quarter immediately following such quarter; and, to the extent that the amount actually paid to such family for such quarter as provided in paragraph (1) was more or less than the amount so determined, proper adjustment or recovery shall be made as provided in section 2171 (b). The benefits

payable to a family for the quarter for which such determination is made shall be reduced by any income received in such quarter and in any one or more of the three quarters immediately preceding such quarter by any individual who was a member of the family both at the time such income was received and in the quarter for which such determination is made, if and to the extent that such amount was not counted as income of the family for the purpose of reducing the amounts described in subsection (b) or excluded pursuant to section 2153 (b) or (if the family was not an eligible family for purposes of this title in any one or more of such preceding quarters) to the extent that such amount would not have been so counted for such purpose even if the family had then been an eligible family for purposes of this title.

"(3) For purposes of paragraph (2), income not excluded under section 2153 (b) with respect to the quarter for which a determination is made shall be considered first, to reduce the amounts described in subsection (b); if benefits are payable thereafter, they shall be reduced by applying income not so excluded with respect to the first preceding quarter, then with respect to the second such quarter, and then with respect to the third such quarter, in that order. In the case of a family which did not receive benefits in each of the preceding three quarters, the Secretary may estimate (in the

absence of satisfactory evidence) any amount which is needed for the determination of benefits under paragraph (2).

"(4) The Secretary shall by regulation prescribe the cases in which and extent to which the amount of a family assistance benefit for any quarter shall be reduced by reason of the time elapsing since the beginning of such quarter and before the date of filing of the application for the benefit.

"(5) For purposes of this subsection an application shall be considered to have been filed on the first day of the month in which it was actually filed.

"Biennial Reapplication

"(e) After a family has made application for benefits under this title and has been paid benefits (pursuant to such application) for 24 consecutive months, no further benefits shall be paid to such family under part A or part B except on the basis of a new application which shall be filed and processed as though it were such family's initial application for benefits under this title.

"Special Limits on Gross Income

"(f) The Secretary may prescribe the circumstances under which, consistently with the purposes of this title, the gross income from a trade or business (including farming) will be considered sufficiently large to make such family ineligible for such benefits. For purposes of this sub-

section, the term 'gross income' has the same meaning as when used in chapter 1 of the Internal Revenue Code of 1954.

"Certain Individuals Ineligible

"(g) (1) Notwithstanding subsection (a), no family shall be an eligible family for purposes of this title if, after notice by the Secretary that it is likely that any member of such family is eligible for any payments of the type enumerated in section 2153 (a) (2) (A), such member fails within 30 days to take all appropriate steps (excluding acceptance of any employment offered under any of the conditions specified in subparagraphs (A) through (D) of section 2111 (c) (2)) to apply for and (if eligible) obtain any such payments.

"(2) (A) No individual shall be considered a member of a family for purposes of determining the amount of such family's benefits if such individual is exempt under section 2111 (b) (1) from the requirement of registration pursuant to section 2111 (a) solely because of an incapacity which is determined by the Secretary to be the result in whole or in part of drug abuse or alcohol abuse unless such individual is undergoing any treatment that may be appropriate for such abuse at an institution or facility approved for purposes of this section by the Secretary (so long as such treatment is

available) and demonstrates that he is complying with the terms, conditions, and requirements of such treatment and with requirements imposed by the Secretary under subparagraph (B).

"(B) The Secretary shall provide for the monitoring and testing of all individuals who are members of families for purposes of this title and who as a condition of being considered as such are required to be undergoing treatment and complying with the terms, conditions, and requirements thereof as described in subparagraph (A), in order to assure such compliance and to determine the extent to which the imposition of such requirement is contributing to the achievement of the purposes of this title. The Secretary shall annually submit to the Congress a full and complete report on his activities under this subsection.

"(C) As used in subparagraph (A), the term 'drug abuse' means abuse of a controlled substance within the meaning of section 102 of the Controlled Substances Act; and the term 'alcohol abuse' means alcohol abuse or alcoholism within the meaning of section 247 of the Community Mental Health Centers Act.

"Puerto Rico, the Virgin Islands, and Guam

"(h) For special provisions applicable to Puerto Rico, the Virgin Islands, and Guam, see section 1108(e).

"INCOME

"Meaning of Income

"SEC. 2153. (a) For purposes of this part, income means both earned income and unearned income; and—

"(1) earned income means only—

"(A) wages as determined under section 203 (f) (5) (C);

"(B) net earnings from self-employment, as defined in section 211 (without the application of the second and third sentences following clause (C) of subsection (a) (9), and the last paragraph of subsection (a)), including earnings for services described in paragraphs (4), (5), and (6) of subsection (c); and

"(2) unearned income means all other income, including support and maintenance furnished in cash or otherwise, and including—

"(A) any payments received as an annuity, pension, retirement, or disability benefit, including veterans' compensation and pensions, workmen's compensation payments, old-age, survivors, and disability insurance benefits, railroad retirement annuities and pensions, and unemployment insurance benefits;

"(B) prizes and awards;

"(C) the proceeds of any life insurance policy to the extent that they exceed the amount expended by family members for expenses of the insured individual's last illness and burial or $1,500, whichever is less;

"(D) gifts (cash or otherwise), support and alimony payments, and inheritances; and

"(E) rents, dividends, interest, and royalties.

"Exclusions From Income

"(b) In determining the income of a family there shall be excluded—

"(1) subject to limitations (as to amount or otherwise) prescribed by the Secretary, the earned income of each child in the family who is, as determined by the Secretary under regulations, a student regularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment;

"(2) (A) the total unearned income of all members of a family in a calendar quarter which, as determined in accordance with criteria prescribed by the Secretary, is received too infrequently or irregularly to be included, if such income so received does not exceed $60 in such quarter, and (B) the total earned income of all members of a family in a calendar quarter which,

as determined in accordance with such criteria, is received too infrequently or irregularly to be included, if such income so received does not exceed $30 in such quarter;

"(3) an amount of earned income of a member of the family equal to all, or such part (and according to such schedule) as the Secretary may prescribe, of the cost incurred by such member for child care which the Secretary deems necessary to securing or continuing in manpower training, vocational rehabilitation, employment, or self-employment;

"(4) the first $720 per year (or proportionately smaller amounts for shorter periods) of the total of earned income (not excluded by the preceding paragraphs of this subsection) of all members of the family plus one-third of the remainder thereof;

"(5) subject to section 2156, any assistance (except veterans' pensions) which is based on need and furnished by any State or political subdivision of a State or any Federal agency (including relocation assistance under section 2114(b)(3)), or by any private agency or organization exempt from taxation under section 501(a) of the Internal Revenue Code of 1954 as an organization described in section 501(c)(3) or (4) of such Code;

"(6) (A) allowances under section 2115(a), 2117(c), or 2132(c);

"(B) allowances of the types described in such sections which are paid by a State or political subdivision thereof to a member of a family receiving benefits under this title, to the extent that such allowances do not exceed $30 per month;

"(7) any portion of any grant, scholarship, or fellowship received for use in paying the cost of tuition and fees at any educational (including technical or vocational education) institution;

"(8) home produce of a member of the family utilized by the household for its own consumption;

"(9) one-third of any payments received for the support of children who are family members, or as alimony paid to family members; and

"(10) any amounts received for the foster care of a child who is not a member of the family but who is living in the same home as the family and was placed in such home by a public or nonprofit private child-placement or child-care agency.

Notwithstanding any other provision of this part, the total amount which may be excluded under paragraphs (1), (2), and (3) in determining the income of any family for any year shall not exceed the lesser of—

"(i) $2,000 plus $200 for each member of the family in excess of four, or

"(ii) $3,000,

or a proportionately smaller amount for a shorter period.

"RESOURCES

"Exclusions From Resources

"SEC. 2154. (a) In determining the resources of a family there shall be excluded—

"(1) the home, to the extent that its value does not exceed such amount as the Secretary determines to be reasonable;

"(2) household goods and personal effects, to the extent that their total value does not exceed such amount as the Secretary determines to be reasonable; and

"(3) other property which, as determined in accordance with and subject to limitations prescribed by the Secretary, is so essential to the family's means of self-support as to warrant its exclusion.

In determining the resources of a family an insurance policy shall be taken into account only to the extent of its cash surrender value; except that if the total face value of all life insurance policies on any person is $1,500 or less, no part of the value of any such policy shall be taken into account.

"Disposition of Resources

"(b) The Secretary shall prescribe the period or periods of time within which, and the manner in which, various kind

of property must be disposed of in order not to be included in determining a family's eligibility for benefits. Any portion of the family's benefits paid for any such period shall be conditioned upon such disposal; and any benefits so paid shall (at the time of the disposal) be considered overpayments to the extent they would not have been paid had the disposal occurred at the beginning of the period for which such benefits were paid.

"MEANING OF FAMILY AND CHILD

"Meaning of Family

"SEC. 2155. (a) Two or more individuals—

"(1) who are related by blood, marriage, or adoption,

"(2) who are living in a place of residence maintained by one or more of them as his or their own home,

"(3) all of whom are residents of the United States, and at least one of whom is either (A) a citizen or (B) an alien lawfully admitted for permanent residence, and

"(4) at least one of whom is a child who is in the care of or dependent upon another of such individuals,

shall be regarded as a family for purposes of this title and part A of title IV. A parent (of a child living in a place of residence referred to in paragraph (2)), or a spouse of such a parent, who is determined by the Secretary to be temporarily absent from such place of residence for the

purpose of engaging in or seeking employment or self-employment (including military service) shall nevertheless be considered (for purposes of paragraph (2)) to be living in such place of residence. Notwithstanding any other provision of this title—

"(A) no two or more individuals in any household shall be considered a family for purposes of this title if the individual who is the head of such household is a full-time undergraduate or graduate student at a college or university; and

"(B) no individual shall (except as provided in the preceding sentence) be considered a member of a family for any of the purposes of this title with respect to any month during all of which such individual is outside the United States; and for purposes of this clause after an individual has been outside the United States for any period of 30 consecutive days, he shall be treated as remaining outside the United States until he has been in the United States for a period of 30 consecutive days.

"Meaning of Child

"(b) For purposes of this title, the term 'child' means an individual who is neither married nor (as determined by the Secretary) the head of a household, and who is (1) under the age of eighteen, or (2) under the age of twenty-two and (as determined by the Secretary) a student reg-

ularly attending a school, college, or university, or a course of vocational or technical training designed to prepare him for gainful employment.

"Determination of Family Relationships

"(c) In determining whether an individual is related to another individual by blood, marriage, or adoption, appropriate State law shall be applied.

"Income and Resources of Noncontributing Individual

"(d) For purposes of determining eligibility for and the amount of benefits for any family there shall be excluded the income and resources of any individual, other than a parent of a child, or a spouse of a parent, who is a family member, which, as determined in accordance with criteria prescribed by the Secretary, is not available to other members of the family; and for such purposes such individual—

"(1) in the case of a child, shall be regarded as a member of the family for purposes of determining the family's eligibility for such benefits but not for purposes of determining the amount of such benefits, and

"(2) in any other case, shall not be considered a member of the family for any purpose.

"United States

"(e) For purposes of this title, the term 'United States', when used in a geographical sense, means the States

and the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, and Guam.

"Recipients of Assistance for the Aged, Blind, and Disabled Ineligible

"(f) If an individual is receiving benefits under title XX, then, for the period for which such benefits are received, such individual shall not be regarded as a member of a family for purposes of determining the amount of the benefits of the family under this title and his income and resources shall not be counted as income and resources of a family under this title.

"OPTIONAL STATE SUPPLEMENTATION

"SEC. 2156. (a) Any cash payments which are made by a State (or political subdivision thereof) on a regular basis to individuals who are receiving benefits under this title or who would but for their income be eligible to receive benefits under this title, as assistance based on need in supplementation of such benefits (as determined by the Secretary), shall be excluded under section 2153 (b) (5) in determining the income of such individuals for purposes of this title only if (1) the Secretary and such State enter into an agreement which satisfies subsection (b) and which may at the option of the State provide that the Secretary will, on behalf of such State (or subdivision), make such supplementary payments to all such individuals, and (2) such supplementary pay-

ments are made to such individuals in accordance with such agreement.

"(b) Any agreement between the Secretary and a State entered into under subsection (a) shall provide—

"(1) that in determining the eligibility of any family for supplementary payments on the basis of the income of the family, all the provisions of section 2153(b) will apply, except that with respect to any quarter—

"(A) if benefits are paid to such family for such quarter under part A or part B, such benefits will not be excluded from income in applying paragraph (5) of such section, and

"(B) if no benefits are paid to such family for such quarter under part A or part B, the requirement of this paragraph shall not apply with respect to such family; except that the supplementary payment shall not be reduced, on account of income in excess of the maximum amount which such family could have and still receive such a benefit, by an amount greater than such excess,

and, if the agreement provides that the Secretary will, on behalf of the State (or political subdivision), make the supplementary payments to individuals receiving benefits under this title, shall also provide—

"(2) that such payments will be made (subject to subsection (c)) to all families residing in such State (or subdivision) who are receiving benefits under this title except that the State may, at its option, exclude—

"(A) families in which both parents of the child or children are present, neither parent is incapacitated, and the male parent is not unemployed, or

"(B) families described in subparagraph (A) and families in which both parents of the child or children are present, neither parent is incapacitated, and the male parent is unemployed, and

"(3) such other rules with respect to eligibility for or amount of the supplementary payments, and such procedural or other general administrative provisions, as the Secretary finds necessary (subject to subsection (c)) to achieve efficient and effective administration of both the program which he conducts under this title and the optional State supplementation.

"(c) Any State (or political subdivision) making supplementary payments described in subsection (a) may at its option impose as a condition of eligibility for such payments, and include in the State's agreement with the Secretary under such subsection, a residence requirement which excludes individuals who have resided in the State (or political

subdivision) for less than a minimum period prior to application for such payments.

"(d) Any State which has entered into an agreement with the Secretary under this section which provides that the Secretary will, on behalf of the State (or political subdivision), make the supplementary payments to individuals who are receiving benefits under this title (or who would but for their income be eligible to receive such benefits), shall, subject to section 503 of the Social Security Amendments of 1971, at such times and in such installments as may be agreed upon between the Secretary and such State, pay to the Secretary an amount equal to the expenditures made by the Secretary as such supplementary payments.

"PART D—PROCEDURAL AND GENERAL PROVISIONS

"PAYMENTS AND PROCEDURES

"Payment of Benefits

"SEC. 2171. (a) (1) Benefits under this title shall be paid at such time or times and in such installments as will best effectuate the purposes of this title.

"(2) (A) Payment of the benefit of any family may be made to any one or more members of the family, or, if the Secretary finds, after reasonable notice and opportunity for hearing (which shall be held in the same manner and subject to the same conditions as a hearing under subsection (c)

(1) and (2)) to the family member or members to whom the benefits are (or, but for this provision, would be) paid, that such member or members have such inability to manage funds that making payment to such member or members would be contrary to the welfare of the child or children in such family, he may make payment to any person other than a member of such family (including an appropriate public or private agency) who is interested in or concerned with the welfare of the family. The Secretary shall investigate each case in which he has reason to believe that a family receiving payments under this title is unable to manage such payments in accordance with its best interests.

"(B) If the Secretary makes payment under subparagraph (A) to a person who is not a member of the family, he shall review his finding under the preceding sentence periodically to determine whether the conditions justifying such finding still exist, and, if they do not, he shall discontinue making payments to any person who is not a member of the family. If it appears to the Secretary that such conditions are likely to continue beyond a period specified by him, he shall attempt to secure the appointment of a guardian or other legal representative for the family member with respect to whom such finding is made, and take any other steps he may find appropriate to protect the welfare of the child or children in the family.

"(C) No part of the benefits of any family may be paid to any member of such family who has failed to register as required by section 2111(a), or who fails to accept services or employment or participate in training as required by section 2111(c), or who refuses to accept rehabilitation services as required by section 2117(b) or section 2132(b); and the Secretary may, if he deems it appropriate, provide for the payment of such benefits during the period of such failure to any person other than a member of such family (including an appropriate public or private agency) who is interested in or concerned with the welfare of the family, without making the finding required by subparagraph (A) and without regard to subparagraph (B).

"(3) The Secretary may establish ranges of incomes within which a single amount of benefits under this title shall apply.

"(4) The Secretary may make, to any family initially applying for benefits under this title which is presumptively eligible for such benefits and which is faced with financial emergency, a cash advance against such benefits in an amount not exceeding $100.

"Overpayments and Underpayments

"(b) Whenever the Secretary finds that more or less than the correct amount of benefits has been paid with respect to any family, proper adjustment or recovery shall, subject

to the succeeding provisions of this subsection, be made by appropriate adjustments in future payments to the family under part A or part B or by recovery from or payment to any one or more of the individuals who are or were members thereof. The Secretary shall make such provision as he finds appropriate in the case of payment of more than the correct amount of benefits with respect to a family with a view to avoiding penalizing members of the family who were without fault in connection with the overpayment, if adjustment or recovery on account of such overpayment in such case would defeat the purposes of this title, or be against equity or good conscience, or (because of the small amount involved) impede efficient or effective administration of this title.

"Hearings and Review

"(c) (1) The Secretary shall provide reasonable notice and opportunity for a hearing to any individual who is or claims to be a member of a family and is in disagreement with any determination under this title with respect to—

"(A) eligibility of the family for benefits, the number of members of the family, or the amount of the family's benefits, or

"(B) the refusal of such individual to register for or participate or continue to participate in manpower services, training, or employment, or to accept employment or rehabilitation services,

if such individual requests a hearing on the matter in disagreement within thirty days after notice of such determination is received.

"(2) Determination on the basis of such hearing shall be made within ninety days after the individual requests the hearing as provided in paragraph (1).

"(3) The final determination of the Secretary after a hearing under paragraph (1) shall be subject to judicial review as provided in section 205(g) to the same extent as the Secretary's final determination under section 205; except that the determination of the Secretary after such hearing as to any fact shall be final and conclusive and not subject to review by any court.

"Procedures; Prohibition of Assignments; Representation of Claimants

"(d)(1) The provisions of section 207 and subsections (a), (d), (e), and (f) of section 205 shall apply with respect to this part to the same extent as they apply in the case of title II.

"(2) To the extent the Secretary finds it will promote the achievement of the objectives of this part, qualified persons may be appointed to serve as hearing examiners in hearings under subsection (c) without meeting the specific standards prescribed for hearing examiners by or under subchapter II of chapter 5 of title 5, United States Code.

"(3) The Secretary may prescribe rules and regulations governing the recognition of agents or other persons, other than attorneys as hereinafter provided, representing claimants before the Secretary under this part, and may require of such agents or other persons, before being recognized as representatives of claimants, that they shall show that they are of good character and in good repute, possessed of the necessary qualifications to enable them to render such claimants valuable service, and otherwise competent to advise and assist such claimants in the presentation of their cases. An attorney in good standing who is admitted to practice before the highest court of the State, Territory, District, or insular possession of his residence or before the Supreme Court of the United States or the inferior Federal courts, shall be entitled to represent claimants before the Secretary. The Secretary may, after due notice and opportunity for hearing, suspend or prohibit from further practice before him any such person, agent, or attorney who refuses to comply with the Secretary's rules and regulations or who violates any provision of this paragraph for which a penalty is prescribed. The Secretary may, by rule and regulation, prescribe the maximum fees which may be charged for services performed in connection with any claim before the Secretary under this part, and any agreement in violation of such rules and regulations shall be void. Any person who shall, with intent to

defraud, in any manner willfully and knowingly deceive, mislead, or threaten any claimant or prospective claimant or beneficiary under this part by word, circular, letter, or advertisement, or who shall knowingly charge or collect directly or indirectly any fee in excess of the maximum fee, or make any agreement directly or indirectly to charge or collect any fee in excess of the maximum fee, prescribed by the Secretary, shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall for each offense be punished by a fine not exceeding $500 or by imprisonment not exceeding one year, or both.

"Applications and Furnishing of Information by Families

"(e) (1) The Secretary shall prescribe such requirements in the case of families or members thereof for the filing of applications, the suspension or termination of benefits, the furnishing of other data and material, and the reporting of events and changes in circumstances, as may be necessary to determine eligibility for and amount of family assistance benefits.

"(2) Each family who received benefits under part A or part B in a quarter shall be required, not later than 30 days after the close of such quarter, to submit a report to the Secretary containing such information and in such form as he may prescribe in order to enable him to determine eligibility for and the amount of the benefits payable to

such family with respect to such quarter as provided in section 2152 (d). In case of failure by any family to submit the report within such 30 days, no payment of benefits under part A or part B shall be made to such family so long as such failure continues.

"(3) In case of the failure by any family to submit any other data, material, or report required under paragraph (1), or delay by any individual in submitting such data, material, or report as so required, the Secretary shall reduce any benefits which may subsequently become payable to such family under this title by—

"(A) $25 in the case of the first such failure or delay,

"(B) $50 in the case of the second such failure or delay, and

"(C) $100 in the case of the third or a subsequent such failure or delay,

except where the family was without fault or good cause for such failure or delay existed.

"Furnishing of Information by Other Agencies

"(f) The head of any Federal agency shall provide such information as the Secretary needs for purposes of determining eligibility for or amount of benefits, or verifying other information with respect thereto.

"PENALTIES FOR FRAUD

"SEC. 2172. Whoever—

"(1) knowingly and willfully makes or causes to be made any false statement or representation of a material fact in any application for any benefit under this title,

"(2) at any time knowingly and willfully makes or causes to be made any false statement or representation of a material fact for use in determining rights to any such benefit,

"(3) having knowledge of the occurrence of any event affecting (A) his initial or continued right to any such benefit, or (B) the initial or continued right to any such benefit of any other individual in whose behalf he has applied for or is receiving such benefit, conceals or fails to disclose such event with an intent fraudulently to secure such benefit either in a greater amount or quantity than is due or when no such benefit is authorized, or

"(4) having made application to receive any such benefit for the use and benefit of another and having received it, knowingly and willfully converts such benefit or any part thereof to a use other than for the use and benefit of such other person,

shall be guilty of a misdemeanor and upon conviction thereof

shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

"ADMINISTRATION

"SEC. 2173. The Secretary of Health, Education, and Welfare and the Secretary of Labor may each perform any of his functions under this title (or section 1124) directly, through arrangements with each other or with other Federal agencies, or by contract with public or private agencies providing for payment in advance or by way of reimbursement, and in such installments, as he may deem necessary.

"ADVANCE FUNDING

"SEC. 2174. (a) For the purpose of affording adequate notice of funding available under this title, appropriations for grants, contracts, or other payments under part A or part B (other than benefits under section 2113 or 2131) are authorized to be included in an appropriation Act for the fiscal year preceding the fiscal year for which they are available for obligation.

"(b) In order to effect a transition to the advance funding method of timing appropriation action, subsection (a) shall apply notwithstanding that its initial application will result in enactment in the same year (whether in the same appropriation Act or otherwise) of two separate appropriations, one for the then current fiscal year and one for the succeeding fiscal year.

"OBLIGATION OF DESERTING PARENTS

"SEC. 2175. In any case where an individual has deserted or abandoned his spouse or his child or children and such spouse or any such child (during the period of such desertion or abandonment) is a member of a family receiving benefits under this title, such individual shall be obligated to the United States in an amount equal to—

"(1) the total amount of the benefits paid to such family during such period with respect to such spouse and child or children, reduced by

"(2) any amount actually paid by such individual to or for the support and maintenance of such spouse or child or children during such period, if and to the extent that such amount is excluded in determining the amount of such benefits;

except that in any case where an order for the support and maintenance of such spouse or any such child has been issued by a court of competent jurisdiction, the obligation of such individual under this subsection (with respect to such spouse or child) for any period shall not exceed the amount specified in such order less any amount actually paid by such individual (to or for the support and maintenance of such spouse or child) during such period. The amount due the United States under such obligation shall be collected (to the extent that the claim of the United States therefor is not

paid by such individual or otherwise satisfied), in such manner as may be specified by the Secretary from any amounts otherwise due him or becoming due him at any time from any officer or agency of the United States or under any Federal program. Amounts collected under the preceding sentence shall be deposited in the Treasury as miscellaneous receipts.

"PENALTY FOR INTERSTATE FLIGHT TO AVOID PARENTAL RESPONSIBILITIES

"SEC. 2176. Whoever, being the parent of a child receiving benefits under this title as a member of a family, moves or travels in interstate commerce for the purpose of avoiding responsibility for the support of such child or any other responsibility imposed upon him by or under any law pertaining to the obligations of a parent to his child, shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

"REPORTS OF IMPROPER CARE OR CUSTODY OF CHILDREN

"SEC. 2177. Whenever the Secretary, in the performance of his functions under this title, obtains or comes into possession of information which indicates or gives him reason to believe that any child is being or has been subjected to neglect, abuse, exploitation, or other improper care or cus-

tody, he shall so advise the appropriate State or local child welfare agency and the head of the Federal department or agency (if such department or agency is not the Department of which the Secretary is head) which is most directly concerned with or exercises primary Federal jurisdiction over factual situations of the type involved.

"ESTABLISHMENT OF LOCAL COMMITTEES TO EVALUATE EFFECTIVENESS OF MANPOWER AND TRAINING PROGRAMS

"SEC. 2178. (a) The Secretary of Health, Education, and Welfare and the Secretary of Labor (in this section referred to as the 'Secretaries') shall jointly establish or designate such local advisory committees throughout the United States as may be necessary or appropriate to assist them in evaluating the effectiveness of the training and employment programs under this title, together with related child care, family planning, and other services, in helping needy families to become self-supporting and in otherwise achieving the objectives of this title. Each such local committee shall perform its functions within an area specified by the Secretaries at the time of its establishment or designation; but at least one such committee shall be established or designated in every State.

"(b) Each local advisory committee established or designated under subsection (a) shall, as specified by the

Secretaries, consist of persons representative of labor, business, the general public, and units of local government not directly involved in administering employment and training programs under this title, and shall have a chairman elected by the committee from among its members. Members of each local committee shall be selected in such manner, and serve for such terms, as may be specified by the Secretaries."

"(c) Each local advisory committee established or designated under subsection (a) shall submit to the Secretaries at regular intervals a report on the effectiveness of the programs and services referred to in subsection (a) in the area within which it performs its functions, together with its recommendations for improving such effectiveness and such additional information as the Secretaries may request in connection with such programs and services.

"(d) The Secretaries shall provide each local advisory committee established or designated under subsection (a) with the funds necessary for the reasonable expenses of its members in the performance of its functions. There are authorized to be appropriated such sums as may be necessary to carry out this subsection.

"INITIAL AUTHORIZATION FOR APPROPRIATIONS FOR CHILD CARE SERVICES

"SEC. 2179. Of the sums authorized by section 2101 to be appropriated for the fiscal year ending June 30, 1973,

not more than $700,000,000 in the aggregate shall be appropriated to the Secretary of Labor to enable him to carry out his responsibilities under section 2112 (a) and to the Secretary of Health, Education, and Welfare to enable him to carry out his responsibilities under sections 2133 (a) and 2134 (c)."

CONFORMING AMENDMENTS RELATING TO ASSISTANCE FOR NEEDY FAMILIES WITH CHILDREN

SEC. 402. (a) The heading of title IV of the Social Security Act is amended to read as follows:

"TITLE IV—GRANTS TO STATES FOR FAMILY AND CHILD-WELFARE SERVICES".

(b) The heading of part A of title IV of such Act is amended to read as follows:

"PART A—SERVICES TO NEEDY FAMILIES WITH CHILDREN".

(c) Section 401 of such Act is amended—

(1) by striking out "financial assistance and", and "dependent" each place it appears, in the first sentence; and

(2) by striking out "aid and" in the second sentence.

(d) (1) Section 402 (a) of such Act is amended—

(A) by striking out "AID AND" in the heading;

(B) by striking out "aid and" in the matter preceding clause (1);

(C) by striking out "with respect to services" in clause (1) (as amended by section 522(b) of this Act);

(D) by striking out clause (4);

(E) (i) by striking out "recipients and other persons" in clause (5)(B) and inserting in lieu thereof "persons", and

(ii) by striking out "providing services to applicants and recipients" in such clause and inserting in lieu thereof "providing services under the plan";

(F) by striking out clauses (7) and (8);

(G) (i) by striking out "applicants or recipients" in clause (9) and inserting in lieu thereof "persons seeking or receiving services under the plan", and

(ii) by striking out "aid to families with dependent children" in such clause and inserting in lieu thereof "the plan";

(H) by striking out clauses (10), (11), and (12);

(I) (i) by striking out "section 406(d)" in clause (14) and inserting in lieu thereof "section 405(d)",

(ii) by striking out "for children and relatives receiving aid to families with dependent children and appropriate individuals (living in the same home) whose needs

are taken into account in making the determination under clause (7)" in such clause (as amended by section 524 (a) of this Act) and inserting in lieu thereof "for members of a family receiving assistance to needy families with children and individuals who would have been eligible to receive aid to families with dependent children under the State plan (approved under this part) as in effect prior to the enactment of title XXI", and

(iii) by striking out "such children, relatives, and individuals" each place it appears in such clause (as so amended) and inserting in lieu thereof "such members and individuals";

(J) by striking out clause (15) and inserting in lieu thereof the following: "(15) provide (A) for the development of a program, for appropriate members of such families and such other individuals, for preventing or reducing the incidence of births out of wedlock and otherwise strengthening family life, and for implementing such program by assuring that in all appropriate cases family planning services are offered to them, but acceptance of family planning services provided under the plan shall be voluntary on the part of such members and individuals and shall not be a prerequisite to eligibility for or the receipt of any other service under the plan; and (B) to the extent that services provided under

this clause or clause (8) are furnished by the staff of the State agency or the local agency administering the State plan in each of the political subdivisions of the State, for the establishment of a single organizational unit in such State or local agency, as the case may be, responsible for the furnishing of such services;"

(K) by striking out "aid" in clause (16) and inserting in lieu thereof "assistance to needy families with children";

(L) (i) by striking out "aid to families with dependent children" in clause (17) (A) (i) and inserting in lieu thereof "assistance to needy families with children",

(ii) by striking out "aid" in clause (17) (A) (ii) and inserting in lieu thereof "assistance", and

(iii) by striking out "aid" in clause (17) (A) (iii) (as added by section 525 (a) of this Act) and inserting in lieu thereof "assistance";

(M) by striking out "clause (17) (A)" in clause (18) and inserting in lieu thereof "clause (11) (A)";

(N) by striking out clause (19);

(O) by striking out "aid to families with dependent children in the form of foster care in accordance with section 408" in clause (20) and inserting in lieu thereof "payments for foster care in accordance with section 406";

(P) (i) by striking out "aid is being provided under the State plan" in clause (21) (A) (as amended by section 525(b) of this Act) and inserting in lieu thereof "assistance to needy families with children or foster care under the State plan is being provided", and

(ii) by striking out "section 410" in clause (21) (C) and inserting in lieu thereof "section 407";

(Q) by striking out "aid is being provided under the plan of such other State" in each place it appears in clause (22) (as amended by section 525(e) of this Act) and inserting in lieu thereof "assistance to needy families with children or foster care payments are being provided in such other State"; and

(R) by striking out "and (23)" and all that follows and inserting in lieu thereof "and (23) provide that, to the extent services under the plan are furnished by the staff of the State or local agency administering the plan in any political subdivision of the State, such staff will be located in organizational units (up to such organizational levels as the Secretary may prescribe) which are separate and distinct from the units within such agencies responsible for determining eligibility for any form of cash assistance paid on a regularly recurring basis or for performing any functions directly related thereto, subject to any exceptions which, in accord-

ance with standards prescribed in regulations, the Secretary may permit when he deems it necessary in order to ensure the effective administration of the plan."

(2) Clauses (5), (6), (9), (13), (14), (15), (16), (17), (18), (20), (21), (22), and (23) of section 402 (a) of such Act, as amended by paragraph (1) of this subsection, are redesignated as clauses (4) through (16), respectively.

(e) Section 402 (b) of such Act is amended to read as follows:

"(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for services or foster care payments under it, any residence requirement which denies services or foster care payments with respect to any individual residing in the State."

(f) Section 402 of such Act is further amended by striking out subsection (c), and by striking out subsection (d) (as added by section 523 (b) of this Act).

(g) (1) Section 403 (a) of such Act is amended—

(A) by striking out "aid and" in the matter preceding paragraph (1);

(B) by striking out paragraph (1) and inserting in lieu thereof the following:

"(1) an amount equal to the sum of the following proportions of the total amounts expended during such quarter as payments for foster care in accordance with section 406—

"(A) five-sixths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $18 multiplied by the total number of children receiving such foster care for such month; plus

"(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under subparagraph (A), not counting so much of any expenditure with respect to any month as exceeds the product of $100 multiplied by the total number of children receiving such foster care for such month;";

(C) by striking out paragraph (2);

(D) (i) by striking out "in the case of any State," in the matter preceding subparagraph (A) in paragraph (3),

(ii) by striking out "or relative who is receiving aid under the plan, or to any other individual (living in the same home as such relative and child) whose needs are taken into account in making the determination under clause (7) of such section" in clause (i) of subpara-

graph (A) of such paragraph and inserting in lieu thereof "receiving foster care under the State plan or any member of a family receiving assistance to needy families with children",

(iii) by striking out "child or relative who is applying for aid to families with dependent children or" in clause (ii) of subparagraph (A) of such paragraph and inserting in lieu thereof "member of a family",

(iv) by striking out "likely to become an applicant for or recipient of such aid" in clause (ii) of subparagraph (A) of such paragraph and inserting in lieu thereof "likely to become eligible to receive such assistance",

(v) by striking out "(17), (18), (21), and (22)" in clause (iv) of subparagraph (A) of such paragraph (as added by section 527(a) of this Act) and inserting in lieu thereof "(11), (12), (14), and (15)", and

(vi) by striking out "(14) and (15)" each place it appears in subparagraph (A) of such paragraph and inserting in lieu thereof "(8) and (9)";

(E) by striking out all that follows "permitted" in the last sentence of such paragraph and inserting in lieu thereof "by the Secretary; and";

(F) by striking out "in the case of any State," in

the matter preceding subparagraph (A) in paragraph (5);

(G) by striking out "section 406(e)" each place it appears in paragraph (5) and inserting in lieu thereof "section 405(e)"; and

(H) by striking out the sentences following paragraph (5).

(2) Paragraphs (3) and (5) of section 403(a) of such Act, as amended by paragraph (1) of this subsection, are redesignated as paragraphs (2) and (3), respectively.

(h) Section 403(b) of such Act is amended—

(1) by striking out "(B) records showing the number of dependent children in the State, and (C)" in paragraph (1) and inserting in lieu thereof "and (B)"; and

(2) by striking out "(A)" in paragraph (2), and by striking out ", and (B)" and all that follows in such paragraph down through "under the State plan".

(i) Section 404 of such Act is amended—

(1) by striking out "(a) In the case of any State plan for aid and services" and inserting in lieu thereof "In the case of any State plan for services";

(2) by striking out clause (1) and inserting in lieu thereof the following:

"(1) that the plan no longer complies with the provisions of section 402; or"; and

(3) by striking out subsection (b).

(j) Section 405 of such Act is repealed.

(k) Section 406 of such Act is redesignated as section 405, and as so redesignated is amended—

(1) by striking out subsections (a), (b), and (c) and inserting in lieu thereof the following:

"(a) The term 'child' means a child as defined in section 2155(b).

"(b) The term 'needy families with children' means families who are eligible for benefits under part A or part B of title XXI, other than families in which both parents of the child or children are present, neither parent is incapacitated, and the male parent is not unemployed.

"(c) The term 'assistance to needy families with children' means benefits under part A or part B of title XXI, paid to needy families with children as defined in subsection (b).";

and

(2) (A) by striking out "living with any of the relatives specified in subsection (a) (1) in a place of residence maintained by one or more of such relatives as his or their own home" in paragraph (1) of subsection (e) and inserting in lieu thereof "a member of a family (as defined in section 2155(a))",

(B) by striking out "because such child or relative refused" in such paragraph and inserting in lieu thereof

"because such child or another member of such family refused", and

(C) by striking out "the household in which he is living" in subparagraph (A) of such paragraph and inserting in lieu thereof "such family".

(l) Section 407 of such Act is repealed.

(m) Section 408 of such Act is redesignated as section 406, and as so redesignated is amended—

(1) by striking out everything (including the heading) which precedes paragraph (b) (1) and inserting in lieu thereof the following:

"FOSTER CARE

"SEC. 406. For purposes of this part—

"(a) the term 'foster care' shall include only foster care which is provided in behalf of a child (1) who would, except for his removal from the home of a family as a result of a judicial determination to the effect that continuation therein would be contrary to his welfare, be a member of such family receiving assistance to needy families with children (or supplementary payments under section 2156), (2) whose placement and care are the responsibility of (A) the State or local agency administering the State plan approved under section 402, or (B) any other public agency with whom the State agency administering or supervising the administration of such State plan has made an agreement

which is still in effect and which includes provision for assuring development of a plan, satisfactory to such State agency, for such child as provided in paragraph (e) (1) and such other provisions as may be necessary to assure accomplishment of the objectives of the State plan approved under section 402, (3) who has been placed in a foster family home or child-care institution as a result of such determination, and (4) who (A) received assistance to needy families with children (or aid to families with dependent children under the State plan approved under section 402 as in effect prior to the effective date of title XXI) in or for the month in which court proceedings leading to such determination were initiated, or (B) would have received such assistance to needy families with children (or such aid) in or for such month if application had been made therefor, or (C) in the case of a child who had been a member of a family (as defined in section 2155 (a)) within six months prior to the month in which such proceedings were initiated, would have received such assistance (or such aid) in or for such month if in such month he had been a member of (and removed from the home of) such a family and application had been made therefor;

"(b) the term 'foster care' shall, however, include the care described in paragraph (a) only if it is provided—";

(2) (A) by striking out " 'aid to families with de-

pendent children'" in paragraph (b) (2) and inserting in lieu thereof "foster care",

(B) by striking out "such foster care" in such paragraph and inserting in lieu thereof "foster care", and

(C) by striking out the period at the end of such paragraph and inserting in lieu thereof "; and";

(3) by striking out paragraph (c) and redesignating paragraphs (d), (e), and (f) as paragraphs (c), (d), and (e), respectively;

(4) by striking out "paragraph (f) (2)" and "section 403 (a) (3)" in paragraph (c) (as so redesignated) and inserting in lieu thereof "paragraph (e) (2)" and "section 403 (a) (2)" respectively;

(5) by striking out "aid" in paragraph (d) (as so redesignated) and inserting in lieu thereof "foster care";

(6) by striking out "relative specified in section 406 (a)" in paragraph (e) (1) (as so redesignated) and inserting in lieu thereof "family (as defined in section 2155 (a))"; and

(7) by striking out "522 (a)" and "part 3 of title V" in paragraph (e) (2) (as so redesignated) and inserting in lieu thereof "422 (a)" and "part B of this title", respectively.

(n) Section 409 of such Act is repealed.

(o) Section 410 of such Act is redesignated as section 407; and subsection (a) of such section (as so redesignated) is amended by striking out "section 402 (a) (21)" and inserting in lieu thereof "section 402 (a) (14)".

(p) (1) Section 422 (a) (1) (A) of such Act is amended by striking out "section 402 (a) (15)" and inserting in lieu thereof "section 402 (a) (9)".

(2) Section 422 (a) (1) (B) of such Act is amended—

(A) by striking out "provided for dependent children" and inserting in lieu thereof "provided with respect to needy families with children", and

(B) by striking out "such children and their families" and inserting in lieu thereof "such families and children".

(q) Part C of title IV of such Act is repealed.

(r) References in any law, regulation, State plan, or other document to any provision of part A of title IV of the Social Security Act which is redesignated by this section shall to the extent appropriate (from and after the effective date of the amendments made by this section) be considered to be references to such provision as so redesignated.

TITLE V—MISCELLANEOUS

PART A—EFFECTIVE DATES AND GENERAL PROVISIONS

EFFECTIVE DATE FOR TITLES III AND IV

SEC. 501. The amendments and repeals made by titles III and IV of this Act and by this part and parts B and E of this title shall become effective (and section 9 of the Act of April 19, 1950 (25 U.S.C. 639), is repealed effective) on July 1, 1972, except as otherwise specifically indicated, and except that—

(1) sections 2133 and 2134 of the Social Security Act, as added by section 401 of this Act, shall be effective upon the enactment of this Act,

(2) the amendments made by title IV of this Act, insofar as they apply to families in which both parents of the child or children involved are present, neither parent is incapacitated, and the male parent is not unemployed, shall not become effective until January 1, 1973, and

(3) appropriations for administrative expenses incurred during the fiscal year ending June 30, 1972, in developing the staff and facilities necessary to place in operation the programs established by titles XX and XXI of the Social Security Act, as added by this Act, and for child care furnished pursuant to section 508 during such fiscal year, may be included in an appropriation Act for such fiscal year.

PROHIBITION AGAINST PARTICIPATION IN FOOD STAMP PROGRAM BY RECIPIENTS OF PAYMENTS UNDER FAMILY AND ADULT ASSISTANCE PROGRAMS

SEC. 502. (a) Section 3(e) of the Food Stamp Act of 1964 is amended by adding at the end thereof the following new sentence: "No person who is determined to be an eligible individual or eligible spouse under section 2011(a) of the Social Security Act, and no member of a family which is determined to be an eligible family under section 2152(a) of such Act, shall be considered to be a member of a household or an elderly person for the purposes of this Act."

(b) Section 3(h) of such Act, is amended to read as follows:

"(h) The term 'State agency', with respect to any State, means the agency of State government which is designated by the Secretary for purposes of carrying out this Act in such State, or, if and to the extent that the Secretary so elects, the Federal agency administering title XX or XXI of the Social Security Act in such State."

(c) Section 10(c) of such Act is amended by striking out the first sentence.

(d) Clause (2) of the second sentence of section 10(e) of such Act is amended by striking out "used by them in the certification of applicants for benefits under the federally aided public assistance programs" and inserting in lieu thereof

the following: "prescribed by the Secretary in the regulations issued pursuant to this Act".

(e) Section 10(e) of such Act is further amended by striking out the third sentence.

(f) Section 14 of such Act is amended by striking out subsection (e).

(g) (1) Except as provided in paragraph (2), the amendments made by this section shall take effect on July 1, 1972.

(2) The Secretary of Health, Education, and Welfare may by regulation provide that the amendment made by subsection (a)—

(A) shall not apply with respect to individuals and families in any State until the expiration of such period of time (not exceeding 30 days) after July 1, 1972, as he finds necessary to avoid the interruption of such individuals' and families' income in the transition from the programs of assistance under prior law to the programs of assistance under title XX or XXI of the Social Security Act (as added by this Act); and

(B) shall not apply (in such cases as he may specify) with respect to individuals and families first becoming eligible for benefits under title XX or XXI of the Social Security Act after July 1, 1972, until the expiration of such period of time (not exceeding 30

days) after the first day of such eligibility as he finds necessary to avoid the interruption of such individuals' and families' income.

(3) In any case where the Secretary postpones the application of the amendment made by subsection (a) for a period of time as provided in subparagraph (A) or (B) of paragraph (2), each individual or family with respect to whom the postponement applies (and who had been certified to receive a coupon allotment under the Food Stamp Act of 1964 for the month immediately preceding the first day of such period) shall be authorized to purchase during such period the same coupon allotment (at the same charge therefor) which such individual or family had been certified to receive for such month immediately preceding the first day of such period.

LIMITATION ON FISCAL LIABILITY OF STATES FOR OPTIONAL STATE SUPPLEMENTATION

SEC. 503. (a) (1) The amount payable to the Secretary by a State for any fiscal year pursuant to its agreement or agreements under sections 2016 and 2156 of the Social Security Act shall not exceed the non-Federal share of expenditures as aid or assistance for quarters in the calendar year 1971 under the plans of the State approved under titles I, X, XIV, and XVI, and part A of title IV, of the Social Security Act (as defined in subsection (c) of this section).

(2) Paragraph (1) of this subsection shall only apply with respect to that portion of the supplementary payments made by the Secretary on behalf of the State under such agreements in any fiscal year which does not exceed in the case of any individual or family the difference between—

(A) the adjusted payment level under the appropriate approved plan of such State as in effect for January 1971 (as defined in subsection (b) of this section), and

(B) the benefits under title XX or XXI of the Social Security Act, plus income not excluded under section 2012(b) or 2153(b) of such Act in determining such benefits, paid to such individual or family in such fiscal year,

and shall not apply with respect to supplementary payments to any individual or family who (i) is not required by section 2016 or 2156 of such Act to be included in any such agreement administered by the Secretary and (ii) would have been ineligible (for reasons other than income) for payments under the appropriate approved State plan as in effect for January 1971.

(b) (1) For purposes of subsection (a), the term "adjusted payment level under the appropriate approved plan of a State as in effect for January 1971" means the amount of the money payment which an individual or family (of a

given size) with no other income would have received under the plan of such State approved under title I, X, XIV, or XVI, or part A of title IV, of the Social Security Act, as may be appropriate, and in effect for January 1971; except that the State may, at its option, increase such payment level with respect to any such plan by an amount which does not exceed the sum of—

(A) a payment level modification (as defined in paragraph (2) of this subsection) with respect to such plan, and

(B) the bonus value of food stamps in such State for January 1971 (as defined in paragraph (3) of this subsection).

(2) For purposes of paragraph (1), the term "payment level modification" with respect to any State plan means that amount by which a State which for January 1971 made money payments under such plan to individuals or families with no other income which were less than 100 per centum of its standard of need could have increased such money payments without increasing (if it reduced its standard of need under such plan so that such increased money payments equaled 100 per centum of such standard of need) the non-Federal share of expenditures as aid or assistance for quarters in calendar year 1971 under the plans of such State approved under titles I, X, XIV, and XVI, and part A of title IV, of the Social Security Act.

(3) For purposes of paragraph (1), the term "bonus value of food stamps in a State for January 1971" (with respect to an individual or a family of a given size) means—

(A) the face value of the coupon allotment which would have been provided to such an individual or family under the Food Stamp Act of 1964 for January 1971, reduced by

(B) the charge which such an individual or family would have paid for such coupon allotment,

if the income of such individual or family, for purposes of determining the charge it would have paid for its coupon allotment, had been equal to the adjusted payment level under the State plan (including any payment level modification with respect to the plan adopted pursuant to paragraph (2) (but not including any amount under this paragraph)). The total face value of food stamps and the cost thereof in January 1971 shall be determined in accordance with rules prescribed by the Secretary of Agriculture in effect in such month.

(c) For purposes of this section, the term "non-Federal share of expenditures as aid or assistance for quarters in the calendar year 1971 under the plans of a State approved under titles I, X, XIV, and XVI, and part A of title IV, of the Social Security Act" means the difference between—

(1) the total expenditures in such quarters under

such plans for aid or assistance (excluding emergency assistance under section 406(e)(1)(A) of the Social Security Act, foster care under section 408 of such Act, expenditures authorized under section 1119 of such Act for repairing the home of an individual who was receiving aid or assistance under one of such plans, and benefits in the form of institutional services in intermediate care facilities authorized under section 1121 of such Act (as such sections were in effect prior to the enactment of this Act)), and

(2) the total of the amounts determined under sections 3, 403, 1003, 1403, and 1603 of the Social Security Act, under section 1118 of such Act, and under section 9 of the Act of April 19, 1950, for such State with respect to such expenditures in such quarters.

SPECIAL PROVISIONS FOR PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

SEC. 504. Section 1108 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(e)(1) In applying the provisions of—

"(A) subsections (a), (b), and (e)(1) of section 2011,

"(B) subsections (a)(2)(D) and (b)(2) of section 2012,

"(C) subsection (a) of section 2013,

"(D) subsections (a), (b), and (c) of section 2152,

"(E) subsections (a) (2) (C) and (b) (2) of section 2153, and the last sentence of subsection (b) of such section, and

"(F) the last sentence of section 2154(a),

with respect to Puerto Rico, the Virgin Islands, or Guam, the dollar amounts to be used shall, instead of the figures specified in such provisions, be dollar amounts bearing the same ratio to the figures so specified as the per capita incomes of Puerto Rico, the Virgin Islands, and Guam, respectively, bear to the per capita income of that one of the States which has the lowest per capita income; except that in no case may the amounts so used exceed the figures so specified.

"(2) (A) The amounts to be used under such sections in Puerto Rico, the Virgin Islands, and Guam shall be promulgated by the Secretary between July 1 and September 30 of each odd-numbered year, on the basis of the average per capita income of each State for the most recent calendar year for which satisfactory data are available from the Department of Commerce. Such promulgation shall be effective for each of the two fiscal years in the period beginning July 1 next succeeding such promulgation.

"(B) The term 'State', for purposes of subparagraph

(A) only, means the fifty States and the District of Columbia.

"(3) If the amounts which would otherwise be promulgated for any fiscal year for any of the three States referred to in paragraph (1) would be lower than the amounts promulgated for such State for the immediately preceding period, the amounts for such fiscal year shall be increased to the extent of the difference; and the amounts so increased shall be the amounts promulgated for such year."

DETERMINATIONS OF MEDICAID ELIGIBILITY

SEC. 505. Title XI of the Social Security Act (as amended by sections 221(a) and 241 of this Act) is amended by adding at the end thereof the following new section:

"DETERMINATIONS OF MEDICAID ELIGIBILITY

"SEC. 1124. The Secretary of Health, Education, and Welfare may enter into an agreement with any State which wishes to do so under which he (or the Secretary of Labor with respect to individuals eligible for benefits under part A of title XXI) will determine eligibility for medical assistance in any or all cases under such State's plan approved under title XIX. Any such agreement shall provide for payment by the State, for use by the Secretary in carrying out the agreement, of an amount equal to one-half of the cost of carrying out the agreement, but in computing such cost

with respect to individuals eligible for benefits under title XX or under part A or part B of title XXI the Secretary shall include only those costs which are additional to the costs incurred in carrying out such title or such part."

ASSISTANT SECRETARY OF LABOR FOR THE OPPORTUNITIES FOR FAMILIES PROGRAM

SEC. 506. (a) There shall be in the Department of Labor an Assistant Secretary for the Opportunities for Families Program, who shall be appointed by the President by and with the advice and consent of the Senate and shall be the principal officer of the Department in carrying out the functions, powers, and duties vested in the Secretary of Labor by part A of title XXI of the Social Security Act (and by parts C and D of such title with respect to the families and benefits to which part A of such title relates), including the making of grants, contracts, agreements, and arrangements, the provision of child care services, the adjudication of claims, and the discharge of all other authority vested in the Secretary by such parts. The Assistant Secretary for the Opportunities for Families Program shall have sole responsibility within the Department of Labor, subject to the supervision and direction of the Secretary of Labor, for the administration of the program established by part A of such title XXI.

(b) Section 2 of the Act of April 17, 1946 (29 U.S.C. 553), is amended—

(1) by striking out "five" in the first sentence and inserting in lieu thereof "six"; and

(2) by inserting before the period at the end of the last sentence the following: ", and one shall be the Assistant Secretary of Labor for the Opportunities for Families Program".

(c) Paragraph (20) of section 5313 of title 5, United States Code, is amended by striking out "(5)" and inserting in lieu thereof "(6)".

TRANSITIONAL ADMINISTRATIVE PROVISIONS

SEC. 507. In order for a State to be eligible for any payments pursuant to title IV, V, XVI, or XIX of the Social Security Act with respect to expenditures for any quarter in the fiscal year ending June 30, 1973, and for the purpose of providing an orderly transition from State to Federal administration of assistance programs for adults and families with children, such State shall enter into agreements with the Secretary of Health, Education, and Welfare and the Secretary of Labor under which the State agencies responsible for administering or for supervising the administration of the plans approved under titles I, X, XIV, and XVI and part A of title IV of the Social Security Act will, on behalf of the Secretaries, administer all or such part or parts of the programs

established by sections 301 and 401 of this Act (other than the manpower services, training, employment, and child care provisions of the program established by part A of title XXI of the Social Security Act as added by section 401 of this Act), during such portion of the fiscal year ending June 30, 1973, as may be provided in such agreements; except that no such agreement shall apply, in the administration of the program established by section 401 of this Act, with respect to any family in which both parents are present, neither parent is incapacitated, and the male parent is not unemployed.

CHILD CARE SERVICES FOR AFDC RECIPIENTS DURING TRANSITIONAL PERIOD

SEC. 508. Until the close of June 30, 1972, the Secretary of Health, Education, and Welfare may utilize his authority under section 2133 of the Social Security Act (as added by section 401 of this Act) to provide for the furnishing of child care services for members of families who are entitled to receive services under part A of title IV of the Social Security Act and who need child care services in order to accept and participate in employment or to participate in a work incentive program under part C of such title, as though such family members were individuals referred pursuant to section 2132(a) of such Act.

STATE SUPPLEMENTARY PAYMENTS DURING TRANSITIONAL PERIOD

SEC. 509. (a) In order to be eligible for any payments pursuant to title IV, V, XVI, or XIX of the Social Security Act with respect to expenditures for any quarter beginning after June 30, 1972, and for the purpose of assuring that needy individuals and families will not suffer an automatic reduction in their aid or assistance by reason of the enactment of this Act, any State which as of July 1, 1972, does not have in effect agreements entered into pursuant to sections 2016 and 2156 of the Social Security Act which either specify the payment levels thereunder or are federally administered shall, for each month beginning with July 1972 and continuing until the close of June 1973 or until the State (whether before or after the close of June 1973) enters into (and has in effect) agreements pursuant to such sections which specify such levels or are so administered, or otherwise takes affirmative action to the contrary on the basis of legislation (other than legislation which prevents the State from entering into such agreements), make supplementary payments meeting the requirements of such sections to each individual or family who is eligible for benefits under title XX or XXI of the Social Security Act, as added by this Act, to such extent and in such amounts as

may be necessary to assure that the total of such benefits and such supplementary payments is at least equal to—

(1) the amount of the aid or assistance which would be payable to such individual or family under the appropriate plan of such State approved under title I, X, XIV, or XVI, or part A of title IV, of the Social Security Act, as in effect in June 1971, or, if the State by affirmative action modifies such plan after June 1971 and before July 1972, as in effect after such modification becomes effective, if such plan (as so in effect) had continued in effect through such month after June 1972, plus

(2) the bonus value of the food stamps which were provided (or were available) to such individual or family under the Food Stamp Act of 1964 for June 1971 or for the month in which a modification referred to in paragraph (1) becomes effective.

For purposes of this subsection, an agreement entered into pursuant to section 2016 or 2156 of the Social Security Act is federally administered if it provides that the Secretary of Health, Education, and Welfare will, on behalf of the State, make the supplementary payments under such agreement to individuals or families eligible therefor.

(b) Supplementary payments made as provided in sub-

section (a) shall be considered as assistance excludable from income under section 2013(b) (4) or 2154(b) (5).

PART B—NEW SOCIAL SERVICES PROVISIONS

DEFINITION OF SERVICES

SEC. 511. (a) Subsection (d) of section 405 of the Social Security Act (as amended by section 402(k) of this Act) is amended to read as follows:

"(d) The term 'services for any individual receiving assistance to needy families with children' means any of the following services provided for any such individual:

"(1) family planning services, including medical services;

"(2) child care services required because of the employment, training, or illness or incapacity of the child's parent or other relative caring for him;

"(3) services to unmarried girls who are pregnant or already have children, for the purpose of arranging for prenatal and postnatal care of the mother and child, developing appropriate living arrangements for the child, and assisting the mother to complete school through the secondary level or secure training so that she may become self-sufficient;

"(4) protective services for children who are (or are in danger of) being abused, neglected, or exploited;

"(5) homemaker services when the usual homemak-

er becomes ill or incapacitated or is otherwise unable to care for the children in the family, and services to educate appropriate family members about household and related financial management and matters pertaining to consumer protection;

"(6) nutrition services;

"(7) services to assist needy families with children to deal with problems of locating suitable housing arrangements and other problems of inadequate housing, and to educate them in practices of home management and maintenance;

"(8) educational services, including assisting appropriate family members in securing available adult basic education;

"(9) emergency services made available in connection with a crisis or urgent need of the family;

"(10) services to assist appropriate family members to engage in training or secure or retain employment;

"(11) services to assist individuals to meet problems resulting from drug abuse or alcohol abuse; and

"(12) information and referral services for individuals in need of services from other agencies (such as the health, education, or vocational rehabilitation agency, or private social agencies) and follow-up activi-

ties to assure that individuals referred to and eligible for available services from such other agencies received such services."

(b) Section 1605 of such Act (as amended by section 302(k) of this Act) is further amended to read as follows:

"DEFINITION

"SEC. 1605. For purposes of this title, the term 'services to the aged, blind, or disabled' means any of the following services provided for recipients of benefits under title XX or other needy individuals who are 65 years of age or older, blind, or disabled:

"(1) protective services for individuals who are (or are in danger of) being abused, neglected, or exploited;

"(2) homemaker services, including education in household and related financial management and matters of consumer protection, and services to assist aged, blind, or disabled individuals to remain in or return to their own homes or other residential situations and to avoid institutionalization or to assist in making appropriate living arrangements in the lowest cost in light of the care needed;

"(3) nutrition services, including the provision, in appropriate cases, of adequate meals, and education in matters of nutrition and the preparation of foods;

"(4) services to assist individuals to deal with prob-

lems of locating suitable housing arrangements and other problems of inadequate housing, and to educate them in practices of home maintenance and management;

"(5) emergency services made available in connection with a crisis or urgent need of an individual;

"(6) services, including child care in appropriate cases, to assist individuals to engage in training or secure or retain employment;

"(7) services to assist individuals to meet problems resulting from drug abuse or alcohol abuse; and

"(8) information and referral services for individuals in need of services from other agencies (such as the health, education, or vocational rehabilitation agency, or private social agencies) and follow-up activities to assure that individuals referred to and eligible for available services from such other agencies received such services."

AUTHORIZATION AND ALLOTMENT OF APPROPRIATIONS FOR SERVICES

SEC. 512. Title XI of the Social Security Act (as amended by sections 221(a), 241, 505, 526, and 542(10) of this Act) is further amended by adding at the end thereof the following new section:

"AUTHORIZATION AND ALLOTMENT OF APPROPRIATIONS FOR SERVICES

"SEC. 1125. (a) There are authorized to be appropriated, for the fiscal year ending June 30, 1973, and for each fiscal year thereafter, for payments to States under sections 403 and 1603 with respect to expenditures for training of personnel, services to the aged, blind, or disabled, and services for any individual receiving assistance to needy families with children, such sums as may be necessary; except that the amount so appropriated for payments with respect to expenditures other than expenditures for the services described in paragraphs (1) and (2) of section 405(d) shall not exceed $800,000,000 for the fiscal year ending June 30, 1973, or such sum as the Congress may specify for any fiscal year thereafter.

"(b) From the sums appropriated pursuant to subsection (a) for any fiscal year—

"(1) the Secretary shall allot to each State an amount which bears the same ratio to the amount so appropriated as the Federal share of expenditures in such State in the preceding fiscal year (exclusive of amounts reallotted to such State for such preceding fiscal year under subsection (c)) for services under titles I, X, XIV, and XVI, and part A of title IV (other than for child care and family planning services under such part),

and for training under such titles and such part, bears to the total such Federal share in all the States, but in no case shall such amount with respect to any State for any fiscal year exceed the Federal share of such expenditures in such State in the preceding fiscal year (exclusive of any amounts reallotted to such State for such preceding fiscal year under subsection (c));

"(2) after the allotment pursuant to paragraph (1) has been made, from the sums remaining (if any) not in excess of $50,000,000, the Secretary shall allot to each State which has a service deficit (as defined in the last sentence of this subsection) an amount which bears the same ratio to such sums remaining as such deficit bears to the total of the service deficits of all the States having such deficits; and

"(3) after the allotment pursuant to paragraph (2) has been made, from the sums remaining (if any), the Secretary shall allot to each State an amount which bears the same ratio to such sums remaining as the number of individuals receiving benefits under sections 2011 and 2102 in such State bears to the number of such individuals in all the States.

As used in paragraph (2), the term 'service deficit', with respect to any State, means the amount by which (i) the average service expenditure (as defined in subsection (d))

per recipient of benefits under sections 2011 and 2102 in such State is less than (ii) the average of the expenditures for training and services under titles I, X, XIV, and XVI and part A of title IV in all the States (other than child care and family planning services under such part) multiplied by the number of recipients of such benefits in such State.

"(c) The amount of any allotment pursuant to subsection (b) for any fiscal year which the Secretary determines will not be required for providing training and services described in subsection (a) under part A of title IV or under title XVI, shall be available for reallotment, for the same purposes for which it was originally made available, from time to time, on such dates as the Secretary may fix, to other States which the Secretary determines have need in providing such training and services of amounts in excess of those previously allotted to them under subsection (b), giving particular consideration to the needs of States for reallotments to prevent reduction or termination of any such services or training which are being provided.

"(d) For purposes of subsection (b) (2), the term 'average service expenditure' with respect to a State for any fiscal year means the amount obtained by dividing (1) the Federal share of expenditures in such State in the preceding fiscal year (exclusive of amounts reallotted to such State for such preceding fiscal year under subsection (c)) for training

and services under titles I, X, XIV, and XVI, and part A of title IV (other than child care and family planning services under such part), by (2) the number of individuals in the State receiving benefits under sections 2011 and 2102."

ADOPTION AND FOSTER CARE SERVICES UNDER CHILD-WELFARE SERVICES PROGRAM

SEC. 513. Effective July 1, 1971, part B of title IV of the Social Security Act is amended by adding at the end thereof the following new section:

"ADOPTION AND FOSTER CARE SERVICES

"SEC. 427. (a) For purposes of this section—

"(1) the term 'foster care services', with respect to any State, means—

"(A) payments for foster care (including medical care not available under the State's plan approved under title XIX or under any other health program within the State) of a child for whom a public agency has responsibility, made to any agency, institution, or person providing such care, but only if such foster care meets standards prescribed by the Secretary, and

"(B) services and administrative activities related to the foster care of children, such as finding, evaluating, and licensing foster homes and institutions, supervising children in foster homes and in-

stitutions, and providing services to enable a child to remain in or return to his own home; and

"(2) the term 'adoption services' means—

"(A) services and administrative activities related to adoptions, including activities related to judicial proceedings, determinations of the amounts of the payments described in subparagraph (B), location of homes, and all activities related to placement, adoption, and post-adoption services, with respect to any child, and

"(B) payments (subject to such limitations as the Secretary may by regulation prescribe) to a person or persons adopting a child who is physically or mentally handicapped and who, for that reason, may be difficult to place for adoption, based on the financial ability of such person or persons to meet the medical and other remedial needs of such child.

"(b) In the case of any State which is eligible for payments under section 422, the Secretary shall, from the amounts allotted therefor, make payments to such State in an amount equal to 75 per centum of any expenditures for adoption services or foster care services.

"(c) There are authorized to be appropriated, in addition to sums appropriated for purposes of this section pursuant to section 421, for grants to States for adoption serv-

ices and foster care services, the sum of $150,000,000 for the fiscal year ending June 30, 1972, the sum of $165,000,000 for the fiscal year ending June 30, 1973, the sum of $180,000,000 for the fiscal year ending June 30, 1974, the sum of $200,000,000 for the fiscal year ending June 30, 1975, and the sum of $220,000,000 for the fiscal year ending June 30, 1976, and each fiscal year thereafter.

"(d) From the sum appropriated pursuant to subsection (c), for any fiscal year, there shall be allotted to each State an amount which bears the same ratio to such sum as the number of children under age 21 in such State bears to the number of such children in all the States."

CONFORMING AMENDMENTS TO TITLE XVI AND PART A OF TITLE IV OF THE SOCIAL SECURITY ACT

SEC. 514. (a) (1) Section 1601 of the Social Security Act (as amended by section 302(b) of this Act) is amended—

(A) by inserting "subject to section 1125" immediately after "there is hereby authorized to be appropriated for each fiscal year" in the first sentence, and

(B) by striking out the second sentence.

(2) Section 1603(a) of such Act (as amended by section 302(g) of this Act) is amended to read as follows:

"(a) From the sums appropriated therefor, the Secretary shall pay to each State which has a plan approved under

this title, for each quarter, an amount equal to 75 per centum of the total amounts expended during such quarter (subject to section 1125) as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the plan for the purpose of providing services to the aged, blind, or disabled. Except to the extent specified by the Secretary, such services shall include only—

"(1) services provided by the staff of the State agency, or of the local agency administering the State plan in the political subdivision: *Provided*, That no funds authorized under this title shall be available for services defined as vocational rehabilitation services under the Vocational Rehabilitation Act (A) which are available to individuals in need of them under programs for their rehabilitation carried on under a State plan approved under such Act, or (B) which the State agency or agencies administering or supervising the administration of the State plan approved under such Act are able and willing to provide if reimbursed for the cost thereof pursuant to agreement under paragraph (2), if provided by such staff, and

"(2) subject to limitations prescribed by the Secretary, services which in the judgment of the State agency cannot be as economically or as effectively provided by the staff of such State or local agency and are not other-

wise reasonably available to individuals in need of them, and which are provided, pursuant to agreement with the State agency, by the State health authority or the State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services approved under the Vocational Rehabilitation Act or by any other State agency which the Secretary may determine to be appropriate (whether provided by its staff or by contract with public (local) or nonprofit private agencies);

except that services described in clause (B) of paragraph (1) may be provided only pursuant to agreement with such State agency or agencies administering or supervising the administration of the State plan for vocational rehabilitation services so approved."

(b) (1) Section 401 of such Act (as amended by section 402 (c) of this Act) is amended—

(A) by inserting "(subject to section 1125)" immediately after "there is hereby authorized to be appropriated for each fiscal year" in the first sentence, and

(B) by striking out the second sentence.

(2) Section 402 (a) (8) of such Act (as amended by sections 524 (a) and 402 (d) (1) (I) of this Act, and redesignated by section 402 (d) (2) of this Act) is amended by striking out "family services" and inserting in lieu thereof

"services for any individual receiving assistance to needy families with children".

(3) Section 403 (a) (2) of such Act (as amended by section 402 (g) of this Act) is amended—

(A) by inserting "(subject to section 1125)" immediately after "an amount equal to the following proportions of the total amounts expended during such quarter" in the portion of such paragraph which precedes subparagraph (A),

(B) by striking out "any of the services described in clauses (8) and (9) of section 402 (a)" and inserting in lieu thereof "any of the services described in section 405 (d)" in clauses (i) and (ii) in subparagraph (A), and

(C) by striking out "child-welfare services, family planning services, and family services" in the matter following subparagraph (D) and inserting in lieu thereof "services under the plan".

PART C—PUBLIC ASSISTANCE AMENDMENTS EFFECTIVE IMMEDIATELY

ADDITIONAL REMEDIES FOR STATE NONCOMPLIANCE

SEC. 521. (a) Section 1116 of the Social Security Act is amended by adding at the end thereof the following new subsections:

"(e) In any case in which the Secretary determines that a State has failed in a substantial number of cases—

"(1) to make payments as required by title I, X, XIV, XVI, or XIX or part A of title IV, or

"(2) to make payments in the amount prescribed under the appropriate State plan (which complies with the conditions for approval under such title or part),

he may require the State to make retroactive payment to all persons affected by such failure in order to assure, to the maximum extent possible, that with respect to each such person the sum of the aid or assistance actually received during the period in which such failure occurred plus such retroactive payments are equal to the amount of aid or assistance he would have received for such period had such failure not occurred, but such payments shall not be required with respect to any period prior to the date of the enactment of the Social Security Amendments of 1971. Expenditures for such retroactive payments shall be considered to have been made under the State plan approved under such title or part for purposes of determining the amount of the Federal payment with respect to such plan. In any case in which the Secretary does add such a requirement for retroactive payments pursuant to the preceding provisions of this subsection, the State shall disregard the amount of such retroactive payments for purposes of determining the amount of aid or assistance payable to such persons after such failure has been corrected. The Secretary may prescribe such methods of administration

as he finds necessary to carry out a requirement for retroactive payments imposed under this subsection and such requirement and methods shall be deemed necessary for the proper and efficient operation of the plan under which such failure occurred.

"(f) In any case in which the Secretary has found, in accordance with the procedures of title I, X, XIV, XVI, or XIX, or part A of title IV, that in the administration of the State plan approved under such title or part there is a failure to comply substantially with any provision which is required by such title or part to be included in such plan, the Secretary may prescribe such methods of administration as he finds appropriate to correct such administrative noncompliance within a reasonable period of time and, upon obtaining assurances satisfactory to him that such methods will be undertaken (including a timetable for implementation of such methods which specifies a date by which there will no longer exist such administrative noncompliance), he may, instead of withholding payments under the title or part with respect to which such failure occurred, continue to make payments (in accordance with such title or part) to such State with respect to expenditures under such plan (for so long as he remains satisfied that the timetable is being substantially followed).

"(g) If the Secretary has reason to believe that a State

plan which he has approved under title I, X, XIV, XVI, or XIX, or part A of title IV, no longer complies with all requirements of such title or part, or that in the administration of such plan there is a failure to comply substantially with any such requirements, the Secretary may (in addition to or instead of withholding payments under such title or part) request the Attorney General to bring suit to enforce such requirements."

(b) The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

STATEWIDENESS NOT REQUIRED FOR SERVICES

SEC. 522. (a) Section 2 (a) of the Social Security Act is amended by inserting "except to the extent permitted by the Secretary with respect to services," before "provide" at the beginning of paragraph (1).

(b) Section 402 (a) of such Act is amended by inserting "except to the extent permitted by the Secretary with respect to services," before "provide" at the beginning of clause (1).

(c) Section 1002 (a) of such Act is amended by inserting "except to the extent permitted by the Secretary with respect to services," before "provide" at the beginning of clause (1).

(d) Section 1402 (a) of such Act is amended by inserting "except to the extent permitted by the Secretary with

respect to services," before "provide" at the beginning of clause (1).

(e) Section 1602(a) of such Act is amended by inserting "except to the extent permitted by the Secretary with respect to services," before "provide" at the beginning of paragraph (1).

(f) The amendments made by this section shall take effect on the date of the enactment of this Act.

OPTIONAL MODIFICATION IN DISREGARDING OF INCOME UNDER STATE PLANS FOR AID TO FAMILIES WITH DEPENDENT CHILDREN

SEC. 523. (a) Section 402(a)(8) of the Social Security Act is amended by inserting after "the State agency" where it first appears the following: "(subject to subsection (d))".

(b) Section 402 of such Act is further amended by adding at the end thereof the following new subsection:

"(d) Any State may modify its State plan approved under this section—

"(1) to provide—

"(A) that, for purposes of determining the amount of payment, expenses attributable to the earning of income shall not be taken into consideration as otherwise required by subsection (a)(7), and

"(B) that the State agency shall with respect to any month disregard (in lieu of the amount such agency is otherwise required to disregard under clause (A) (ii) of subsection (a) (8), in the case) of earned income of a dependent child not included under clause (A) (i) of such subsection, a relative receiving such aid, and any other individual (living in the same home as such relative and child) whose needs are taken into account in making the determination under subsection (a) (7), the first $60 of the total of such earned income for such month plus one-third of the remainder of such income for such month (subject to the parenthetical exception in such clause (A) (ii)), plus any expenses incurred by members of the family for child care with respect to such dependent child and any other dependent children in the family; or

"(2) to provide that the total amount which may be disregarded under clauses (A) (ii) and (B) of subsection (a) (8), and under the provision of subsection (a) (7) insofar as it relates to expenses of child care, shall not exceed the lesser of—

"(A) $2,000 plus $200 for each member of the family in excess of four, or

"(B) $3,000,

or a proportionately smaller amount for periods shorter than a year; or

"(3) to include in such plan both the provisions specified in paragraph (1) and the provision specified in paragraph (2)."

(c) The amendments made by this section shall take effect on the date of the enactment of this Act.

INDIVIDUAL PROGRAMS FOR FAMILY SERVICES NOT REQUIRED

SEC. 524. (a) Section 402(a)(14) of the Social Security Act is amended—

(1) by striking out "a program for";

(2) by striking out "for each child and relative who receives aid to families with dependent children, and each appropriate individual (living in the same home as a relative and child whose needs are taken into account in making the determination under clause (7))" and inserting in lieu thereof "for children and relatives receiving aid to families with dependent children and appropriate individuals (living in the same home) whose needs are taken into account in making the determination under clause (7)"; and

(3) by striking out "such child, relative, and individual" each place it appears and inserting in lieu thereof "such childen, relatives, and individuals".

(b) The amendments made by subsection (a) shall take effect on the date of the enactment of this Act, or, in the case of any State, on such later date (not after July 1, 1972) as may be specified in the modification made in the State's plan approved under section 402 of the Social Security Act to carry out such amendments.

ENFORCEMENT OF SUPPORT ORDERS AGAINST CERTAIN SPOUSES OF PARENTS OF DEPENDENT CHILDREN

SEC. 525. (a) Section 402 (a) (17) of the Social Security Act is amended—

(1) by striking out "and" at the end of clause (i), and

(2) by adding after clause (ii) the following new clause:

"(iii) in the case of any parent (of a child referred to in clause (ii)) receiving such aid who has been deserted or abandoned by his or her spouse, to secure support for such parent from such spouse (or from any other person legally liable for such support), utilizing any reciprocal arrangements adopted with other States to obtain or enforce court orders for support, and".

(b) Section 402 (a) (21) of such Act is amended—

(1) by striking out "each parent" in clause (A)

and inserting in lieu thereof "each person who is the parent",

(2) by inserting "or is the spouse of the parent of such a child or children" after "under the State plan" in clause (A),

(3) by inserting "or such parent" after "such child or children" in clause (A) (i), and

(4) by striking out "such parent" each place it appears in clause (B) and inserting in lieu thereof "such person".

(c) Section 402 (a) (22) of such Act is amended—

(1) by striking out "a parent" each place it appears and inserting in lieu thereof "a person",

(2) by striking out "a child or children of such parent" each place it appears and inserting in lieu thereof "the spouse or a child or children of such person", and

(3) by striking out "against such parent" and inserting in lieu thereof "against such person".

(d) The amendments made by this section shall take effect on the date of the enactment of this Act, or, in the case of any State, on such later date (not after July 1, 1972) as may be specified in the modification made in the State's plan approved under section 402 of the Social Security Act to carry out such amendments.

SEPARATION OF SOCIAL SERVICES AND CASH ASSISTANCE PAYMENTS

SEC. 526. Title XI of the Social Security Act (as amended by sections 221(a), 241, and 505 of this Act) is amended by adding at the end thereof the following new section:

"SEPARATION OF SOCIAL SERVICES AND CASH ASSISTANCE PAYMENTS

"SEC. 1125. Each State, in the administration of its State plans approved under section 2, 402, 1002, 1402, or 1602, shall develop and submit to the Secretary on or before January 1, 1972, a proposal (1) providing that, to the extent services under any such State plan are furnished by the staff of the State or local agency administering such plan in any political subdivision of such State, such staff will be located, by July 1, 1972, in organizational units (up to such organizational levels as the Secretary may prescribe) which are separate and distinct from the units within such agencies responsible for determining eligibility for any form of cash assistance paid on a regularly recurring basis or for performing any functions directly related thereto, but subject to any exceptions which, in accordance with standards prescribed in regulations, the Secretary may permit when he deems it necessary in order to ensure the efficient adminis-

tration of such plan, and (2) indicating the steps to be taken and the methods to be followed in carrying out the proposal."

INCREASE IN REIMBURSEMENT TO STATES FOR COSTS OF ESTABLISHING PATERNITY AND LOCATING AND SECURING SUPPORT FROM PARENTS

SEC. 527. (a) Section 403 (a) (3) (A) of the Social Security Act is amended by striking out "or" at the end of clause (ii), by striking out "; plus" at the end of clause (iii) and inserting in lieu thereof ", or", and by inserting after clause (iii) the following new clause:

"(iv) the cost of carrying out the requirements of clauses (17), (18), (21), and (22) of section 402 (a); plus".

(b) The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

REDUCTION OF REQUIRED STATE SHARE UNDER EXISTING WORK INCENTIVE PROGRAM

SEC. 528. (a) Section 402 (a) (19) (C) of the Social Security Act is amended by striking out "20 per centum" and inserting in lieu thereof "10 per centum".

(b) Section 435 (a) of such Act is amended by striking out "80 per centum" and inserting in lieu thereof "90 per centum".

(c) Section 443 of such Act is amended by striking out "20 per centum" each place it appears and inserting in lieu thereof "10 per centum".

(d) The amendments made by this section shall apply with respect to costs incurred on and after July 1, 1971.

PAYMENT UNDER AFDC PROGRAM FOR NONRECURRING SPECIAL NEEDS

SEC. 529. (a) Section 406(b) of the Social Security Act is amended by striking out "and includes" and inserting in lieu thereof "and, in the case of nonrecurring special needs (as determined in accordance with regulations prescribed by the Secretary) which involve a cost of $50 or more, includes a payment with respect to a dependent child (and the relative with whom he is living) which is made directly to the person furnishing the food, living accommodations, or other goods, services, or items necessary to meets such needs. Such term also includes".

(b) The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

PART D—LIBERALIZATION OF INCOME TAX TREATMENT OF CHILD CARE EXPENSES AND RETIREMENT INCOME

LIBERALIZATION OF CHILD CARE DEDUCTION

Increase in Dollar Limits

SEC. 531. (a) Paragraph (1) of section 214(b) of the Internal Revenue Code of 1954 (relating to expenses for care of certain dependents) is amended to read as follows:

"(1) DOLLAR LIMIT.—

"(A) Except as provided in subparagraphs

(B) and (C), the deduction under subsection (a) shall not exceed $750 for any taxable year.

"(B) The $750 limit of subparagraph (A) shall be increased (to an amount not above $1,125) by the amount of expenses incurred by the taxpayer for any period during which the taxpayer had 2 dependents.

"(C) The dollar limits of subparagraphs (A) and (B) shall be increased (to an amount not above $1,500) by the amount of expenses incurred by the taxpayer for any period during which the taxpayer had 3 or more dependents."

Liberalization of Income Test for Working Wives and Husbands With Incapacitated Wives

(b) Paragraph (2) (B) of section 214 (b) of such Code is amended by striking out "$6,000" and inserting in lieu thereof "$12,000".

Effective Date

(c) The amendments made by this section shall apply to taxable years beginning after December 31, 1971.

LIBERALIZATION OF RETIREMENT INCOME CREDIT

In General

SEC. 532. (a) Section 37 of the Internal Revenue Code of 1954 (relating to retirement income) is amended to read as follows:

"SEC. 37. CREDIT FOR THE ELDERLY.

"(a) GENERAL RULE.—In the case of an individual—

"(1) who has attained the age of 65 before the close of the taxable year, or

"(2) who has not attained the age of 65 before the close of the taxable year but who has public retirement system pension income for the taxable year,

there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 15 percent of such individual's section 37 amount for such taxable year.

"(b) SECTION 37 AMOUNT.—For purposes of subsection (a)—

"(1) IN GENERAL.—An individual's section 37 amount for the taxable year is the applicable initial amount determined under paragraph (2), reduced as provided in paragraph (3).

"(2) INITIAL AMOUNT.—The initial amount is—

"(A) $2,500 in the case of a single individual,

"(B) $2,500 in the case of a joint return where only one spouse is eligible for the credit under this section,

"(C) $3,750 in the case of a joint return where both spouses are eligible for the credit under this section, or

"(D) $1,875 in the case of a married individual filing a separate return.

"(3) REDUCTION.—Except as provided in paragraphs (4) and (5) (B), the reduction under this paragraph in the case of any individual is—

"(A) any amount received by such individual as a pension or annuity—

"(i) under title II of the Social Security Act,

"(ii) under the Railroad Retirement Act of 1935 or 1937, or

"(iii) otherwise excluded from gross income, plus

"(B) in the case of any individual who has not attained age 72 before the close of the taxable year—

"(i) except as provided in clause (ii), one-half the amount of earned income received by such individual in the taxable year in excess of $2,000, or

"(ii) if such individual has not attained age 62 before the close of the taxable year, and if such individual (or his spouse under age 62) is eligible for a credit by reason of subsection (a) (2), any amount of earned income in ex-

cess of $1,000 received by such individual in the taxable year.

"(4) SPECIAL RULES FOR DETERMINING THE REDUCTION PROVIDED IN PARAGRAPH (3).—

"(A) JOINT RETURNS.—In the case of a joint return, the reduction under paragraph (3) shall be the aggregate of the amounts resulting from applying paragraph (3) separately to each spouse.

"(B) SEPARATE RETURNS OF MARRIED INDIVIDUALS.—In the case of a separate return of a married individual, paragraph (3) (B) (i) shall be applied by substituting '$1,000' for '$2,000', and paragraph (3) (B) (ii) shall be applied by substituting '$500' for '$1,000'.

"(C) NO REDUCTION FOR CERTAIN AMOUNTS EXCLUDED FROM GROSS INCOME.—No reduction shall be made under paragraph (3) (A) for any amount excluded from gross income under section 72 (relating to annuities), 101 (relating to life insurance proceeds), 104 (relating to compensation for injuries or sickness), 105 (relating to amounts received under accident and health plans), 402 (relating to taxability of beneficiary of employees' trust), or 403 (relating to taxation of employee annuities).

"(5) SPECIAL RULES FOR INDIVIDUALS ELIGIBLE UNDER SUBSECTION (a) (2).—

"(A) Except as provided in subparagraph (B), the section 37 amount of an individual who is eligible for a credit by reason of subsection (a) (2) shall not exceed such individual's public retirement system pension income for the taxable year.

"(B) In the case of a joint return where one spouse is eligible by reason of subsection (a) (1) and the other spouse is eligible by reason of subsection (a) (2), subparagraph (A) shall not apply but there shall be an additional reduction under paragraph (3) in an amount equal to the excess (if any) of $1,250 over the amount of the public retirement system pension income of the spouse who is eligible by reason of subsection (a) (2).

"(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) EARNED INCOME.—The term 'earned income' has the meaning assigned to such term in section 911 (b), except that such term does not include any amount received as a pension or annuity. The determination of whether earned income is the earned income of the husband or the earned income of the wife shall be made without regard to community property laws.

"(2) MARITAL STATUS.—Marital status shall be determined under section 153.

"(3) JOINT RETURN.—The term 'joint return' means the joint return of a husband and wife made under section 6013.

"(4) PUBLIC RETIREMENT SYSTEM PENSION INCOME.—An individual's public retirement system pension income for the taxable year is his income from pensions and annuities under a public retirement system for personal services performed by him or his spouse, to the extent included in gross income without reference to this section, but only to the extent such income does not represent compensation for personal services rendered during the taxable year. The amount of such income taken into account with respect to any individual for any taxable year shall not exceed $2,500. For purposes of this paragraph, the term 'public retirement system' means a pension, annuity, retirement, or similar fund or system established by the United States, a State, a possession of the United States, any political subdivision of any of the foregoing, or the District of Columbia.

"(d) NONRESIDENT ALIEN INELIGIBLE FOR CREDIT.—No credit shall be allowed under this section to any nonresident alien."

Technical Amendments

(b) (1) Section 904 of the Internal Revenue Code of 1954 (relating to limitation on foreign tax credit) is amended by redesignating subsection (g) as subsection (h), and by inserting after subsection (f) the following new subsection.

"(g) COORDINATION WITH CREDIT FOR THE ELDERLY.—In the case of an individual, for purposes of subsection (a) the tax against which the credit is taken is such tax reduced by the amount of the credit (if any) for the taxable year allowable under section 37 (relating to credit for the elderly)."

(2) Section 6014(a) of such Code (relating to tax not computed by taxpayer) is amended by striking out the last sentence thereof.

(3) Section 6014(b) of such Code is amended—

(A) by striking out paragraph (4),

(B) by redesignating paragraph (5) as paragraph (4), and

(C) by inserting "or" at the end of paragraph (3).

(4) Sections 46(a)(3)(C), 56(a)(2)(A)(ii), and 56(c)(1)(B) of such Code are each amended by striking out "retirement income" and inserting in lieu thereof "credit for the elderly".

(5) The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by strik-

ing out the item relating to section 37 and inserting in lieu thereof the following:

"Sec. 37. Credit for the elderly."

Effective Date

(c) The amendments made by this section shall apply to taxable years beginning after December 31, 1971.

PART E—MISCELLANEOUS CONFORMING AMENDMENTS

CONFORMING AMENDMENT TO SECTION 228 (d)

SEC. 541. Section 228 (d) (1) of the Social Security Act is amended by striking out "receives aid or assistance in the form of money payments in such month under a State plan approved under title I, X, XIV, or XVI, or part A of title IV" and inserting in lieu thereof "receives payments with respect to such month pursuant to title XX or part A or part B of title XXI".

CONFORMING AMENDMENTS TO TITLE XI

SEC. 542. Title XI of the Social Security Act is amended—

(1) (A) by striking out "I,", "X,", and "XIV," in section 1101 (a) (1),

(B) by striking out "and XIX" in such section and inserting in lieu thereof "XIX, XX, and XXI", and

(C) by inserting "(and when used in part C or D of title XXI)" after "requires" in section 1101 (a) (6);

(2) by striking out "I, X, XIV, XVI," in section 1106(c)(1)(A) and inserting in lieu thereof "XVI";

(3)(A) by striking out "and each fiscal year thereafter" in paragraphs (1)(E), (2)(E), and (3)(E) of section 1108(a), and

(B) by striking out section 1108(b);

(4) by striking out the text of section 1109 and inserting in lieu thereof the following:

"SEC. 1109. Any amount which is disregarded in determining the eligibility for and amount of payments to any individual pursuant to title XX or any family pursuant to part A or B of title XXI, shall not be taken into consideration in determining the eligibility for or amount of such payments to any other individual or family under such title XX of part A or B of title XXI.";

(5) by striking out "title I, X, XIV, and XVI, and part A of title IV" in section 1111 and inserting in lieu thereof "title XX or part A or B of title XXI";

(6)(A) by striking out "I, X, XIV, XVI," in the matter preceding clause (a) in section 1115, and inserting in lieu thereof "XVI",

(B) by striking out "of section 2, 402, 1002, 1402, 1602, or 1902" in clause (a) of such section and inserting in lieu thereof "of section 402, 1602, or 1902,", and

(C) by striking out "under section 3, 403, 1003,

1403, 1603, or 1903" in clause (b) of such section and inserting in lieu thereof "under section 403, 1603, or 1903,";

(7) (A) by striking out "I, X, XIV, XVI," in subsections (a) (1), (b), and (d) of section 1116 and inserting in lieu thereof "XVI",

(B) by striking out "under section 4, 404, 1004, 1404, 1604," in subsection (a) (3) of such section and inserting in lieu thereof "under section 404, 1604,",

(C) by striking out "I, X, XIV, XVI, or XIX or part A of title IV" in subsection (e) of such section (as added by section 521 of this Act) and inserting in lieu thereof "XIX",

(D) by striking out "I, X, XIV, XVI," in subsection (f) of such section (as so added) and inserting in lieu thereof "XVI", and

(E) by striking out "I, X, XIV, XVI," in subsection (g) of such section (as so added) and inserting in lieu thereof "XVI";

(8) by repealing section 1118;

(9) (A) by striking out "aid or assistance, other than medical assistance to the aged, under a State plan approved under title I, X, XIV, or XVI, or part A of title IV" in section 1119 and inserting in lieu thereof

"services under a State plan approved under part A of title IV or under title XVI", and

(B) by striking out "under section 3(a), 403(a), 1003(a), 1403(a), or 1603(a)" in such section and inserting in lieu thereof "under section 403(a) or 1603(a)";

(10) by repealing section 1125 (as added by section 526 of this Act); and

(11) effective July 1, 1973—

(A) by striking out "services under titles I, X, XIV, and XVI," in subsection (b)(1) of section 1125 (as added by section 512 of this Act) and inserting in lieu thereof "services under title XVI",

(B) by striking out "under such titles" in such subsection (b)(1) and inserting in lieu thereof "under such title",

(C) by striking out "services under titles I, X, XIV, and XVI" in the last sentence of subsection (b) of such section (as so added) and inserting in lieu thereof "services under title XVI", and

(D) by striking out "services under titles I, X, XIV, and XVI," in subsection (d) of such section (as so added) and inserting in lieu thereof "services under title XVI".

CONFORMING AMENDMENTS TO TITLE XVIII

SEC. 543. (a) Section 1843 of the Social Security Act is amended by striking out subsections (a) and (b) and inserting in lieu thereof the following:

"(a) Subject to section 1902(e), the Secretary at the request of any State shall, notwithstanding the repeal of titles I, X, and XIV by section 303 of the Social Security Amendments of 1971 and the amendments made to title XVI and part A of title IV by sections 302 and 402 of such Amendments, continue in effect the agreement entered into under this section with such State insofar as it includes individuals who are eligible to receive benefits under title XX or XXI or are otherwise eligible to receive medical assistance under the plan of such State approved under title XIX.

"(b) The provisions of subsection (h)(2) of this section as in effect before the effective date of the repeal and amendments referred to in subsection (a) shall continue to apply with respect to the individuals included in any such agreement after such date."

(b) Section 1843(c) of such Act is amended by striking out the semicolon and all that follows and inserting in lieu thereof a period.

(c) Section 1843(d)(3) of such Act is amended to read as follows:

"(3) his coverage period attributable to the agree-

ment with the State under this section shall end on the last day of any month in which he is determined by the State agency to have become ineligible for medical assistance."

(d) Section 1843 (f) of such Act is amended—

(1) by striking out "receiving money payments under the plan of a State approved under title I, X, XIV, or XVI or part A of title IV, or";

(2) by striking out "if the agreement entered into under this section so provides,";

(3) by striking out "I, XVI, or"; and

(4) by striking out "individuals receiving money payments under plans of the State approved under titles I, X, XIV, and XVI, and part A of title IV, and".

(e) Section 1843 of such Act is further amended by striking out subsections (g) and (h).

CONFORMING AMENDMENTS TO TITLE XIX

SEC. 544. Title XIX of the Social Security Act is amended—

(1) by striking out "families with dependent children" in clause (1) of the first sentence of section 1901 and inserting in lieu thereof "needy families with children", and by striking out "permanently and totally" in such clause;

(2) by striking out ", except that the determina-

tion of eligibility for medical assistance under the plan shall be made by the State or local agency administering the State plan approved under title I or XVI (insofar as it relates to the aged)" in section 1902 (a) (5);

(3) by striking out "effective July 1, 1969," in section 1902 (a) (11) (B);

(4) by striking out section 1902 (a) (13) (B) and inserting in lieu thereof the following:

"(B) in the case of individuals described in paragraph (10) with respect to whom medical assistance must be made available, for the inclusion of at least the care and services listed in clauses (1) through (5) of section 1905 (a), and";

(5) (A) by striking out "receiving aid or assistance under a State plan approved under title I. X, XIV, or XVI, or part A of title IV, or who meet the income and resources requirement of the one of such State plans which is appropriate" in the matter in section 1902 (a) (14) (A) (as amended by section 208 (a) of this Act) which precedes clause (i) and inserting in lieu thereof "receiving assistance to needy families with children as defined in section 405 (b) or assistance for the aged, blind, and disabled under title XX, or who meet the income and resources requirements for such assistance", and

(B) by striking out "who are not receiving aid or assistance under any such State plan and who do not meet the income and resources requirements of the one of such State plans which is appropriate" in the matter in section 1902 (a) (14) (B) which precedes clause (i) and inserting in lieu thereof "who are not receiving assistance to needy families with children as defined in section 405 (b) or assistance for the aged, blind, and disabled under title XX and who do not meet the income and resources requirements for such assistance";

(6) by striking out "who are not receiving aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part A of title IV," in the portion of section 1902 (a) (17) which precedes clause (A) and inserting in lieu thereof "other than those described in paragraph (10) with respect to whom medical assistance must be made available,", and

(D) by striking out "or is blind or permanently and totally disabled" in clause (D) of such section;

(7) by striking out "or is blind or permanently and totally disabled" in section 1902 (a) (18) ;

(8) by striking out "section 3 (a) (4) (A) (i) and (ii) or section 1603 (a) (4) (A) (i) and (ii) "in section 1902 (a) (20) (C) and inserting in lieu thereof "section 1603 (a) (1) (A) and (B)";

(9) by striking out "effective July 1, 1969," in sections 1902 (a) (24) and 1902 (a) (26) ;

(10) by striking out "(after December 31, 1969)" in section 1902 (a) (28) (F) (i) ;

(11) by striking out the last sentence of section 1902 (a) ;

(12) by striking out section 1902 (b) (2) and inserting in lieu thereof the following:

"(2) any age requirement which excludes any individual who has not attained age 22 and is or would, but for the provisions of section 2155 (b) (2), be a member of a family eligible for assistance to needy families with children as defined in section 405 (b) or be eligible for foster care in accordance with section 406; or";

(13) by striking out section 1902 (c) ;

(14) (A) by striking out "and section 1117" and ", beginning with the quarter commencing January 1, 1966" in the matter preceding clause (1) of section 1903 (a), and

(B) by striking out "money payments under a State plan approved under title I, X, XIV, or XVI, or part A of title IV" in clause (1) of such section and inserting in lieu thereof "assistance to needy families with children as defined in section 405 (b) or assistance for the aged, blind, and disabled under title XX, or pay-

ments for foster care in accordance with section 406,";

(15) by striking out section 1903 (c) ;

(16) effective July 1, 1973, by striking out "each of the plans of such State approved under titles I, X, XIV, XVI, and XIX" in section 1903 (j) (2) (as added by section 225 of this Act) and inserting in lieu thereof "the State plan";

(17) by striking out "has been so changed that it" in section 1904 (1) ;

(18) (A) by striking out "not receiving aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part A of title IV, who are—" in the matter preceding clause (i) in section 1905 (a) and inserting in lieu thereof "who are not receiving assistance to needy families with children as defined in section 405 (b) or assistance for the aged, blind, and disabled under title XX, or with respect to whom payments for foster care are not being made in accordance with section 406, who are—",

(B) by striking out clause (ii) of such section and inserting in lieu thereof the following:

"(ii) members of a family, as described in section 2155 (a), except a family in which both parents of the child or children are present, neither parent is incapacitated, and the male parent is not unemployed,",

(C) by striking out clauses (iv) and (v) of such section and inserting in lieu thereof the following:

"(iv) blind as defined in section 2014(a) (2),

"(v) disabled as defined in section 2014(a) (3), or",

(D) by striking out "aid or assistance under State plans approved under title I, X, XIV, or XVI" in clause (vi) of such section and inserting in lieu thereof "benefits under title XX", and

(F) by striking out "aid or assistance furnished to such individual (under a State plan approved under title I, X, XIV, or XVI), and such person is determined, under such a State plan," in the second sentence of section 1905(a) and inserting in lieu thereof "benefits paid to such individual under title XX, and such person is determined"; and

(19) by striking out the semicolon and everything that follows in the second sentence of section 1905(b) and inserting in lieu thereof a period.

Passed the House of Representatives June 22, 1971.

Attest: W. PAT JENNINGS,

Clerk.

92D CONGRESS
1ST SESSION

H. R. 1

AN ACT

To amend the Social Security Act to increase benefits and improve eligibility and computation methods under the OASDI program, to make improvements in the medicare, medicaid, and maternal and child health programs with emphasis on improvements in their operating effectiveness, to replace the existing Federal-State public assistance programs with a Federal program of adult assistance and a Federal program of benefits to low-income families with children with incentives and requirements for employment and training to improve the capacity for employment of members of such families, and for other purposes.

JUNE 28, 1971
Read twice and referred to the Committee on Finance

92d Congress
2d Session

COMMITTEE PRINT

Social Security and Welfare Reform

Summary of the Principal Provisions of H.R. 1 as Determined by the Committee on Finance

COMMITTEE ON FINANCE
UNITED STATES SENATE
RUSSELL B. LONG, *Chairman*

JUNE 13, 1972

Prepared by the staff and printed for the use of the Committee on Finance

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INTRODUCTION

This summary describes briefly, in general terms, the significant features of the provisions of H.R. 1, the Social Security Amendments of 1971 as ordered reported to the Senate by the Committee on Finance. The description of minor and technical amendments included in the bill may not be contained here but will be reflected in the text of the Committee bill and will be explained in the Committee report accompanying the bill.

As ordered reported by the Committee, H.R. 1 represents the most massive revision of the Social Security laws Congress has ever undertaken. The bill would increase benefits by $17.6 billion over the estimated costs if present law were continued. The social security cash benefits alone will increase by $7 billion in 1973 ($7.4 billion in 1974) largely because of the 10-percent increase in benefits approved by the Committee. Medicare benefits will rise by $3 billion by 1974 as the new program for coverage of the disabled and for the provision of drugs become effective.

But perhaps the most significant features of the bill are those seeking to reform the welfare laws. In addition to upgrading the level of benefits for needy old age, blind, and disabled Americans (at an added cost of $2.2 billion in 1974) the Committee bill offers a bold, new approach to the problem of increasing dependency under the program of Aid to Families With Dependent Children. Specifically, where the youngest child in an AFDC family has reached school age (or where the family is headed by a male) the family would no longer be eligible for welfare as it is today, but instead the head of the family would be offered a guaranteed job opportunity. He, or she, would be given an opportunity to become independent through employment and sufficient financial incentives are provided by the bill to encourage him or her to prefer employment in the private economy to work in the guaranteed job. Moreover, unlike today, the Federal Government's incentive to help these families locate suitable jobs would be enhanced because under the Committee plan the entire cost of the employment program would be borne by the Federal Government whereas AFDC costs are shared with the States. The cost of this new system of employment opportunity is estimated at $4.5 billion in 1974, with virtually all the expense incurred to increase the income of the poor who work.

The Social Security, Medicare, and Medicaid Programs

SOCIAL SECURITY CASH BENEFITS

As passed by the House, H.R. 1 would increase social security cash benefits by $3.9 billion in 1973 and $4.3 billion in 1974. A little over half of this increase is related to the 5-percent across-the-board benefit increase in the House bill.

The Committee bill would increase social security cash benefit payments by $7.4 billion in 1974. The major item of cost relates to the 10 percent benefit increase in the Committee bill, twice the amount of the increase in the House bill.

Another major feature of the Committee bill would provide a special minimum benefit to low-wage workers with long-time attachment to employment covered under social security. A retired worker with at least 30 years of covered employment would be guaranteed a benefit of at least $200 (if the worker is married, the couple would receive a benefit of at least $300).

The individual provisions of the Committee bill are described below.

1. PROVISIONS OF THE HOUSE BILL CHANGED AND NEW PROVISIONS ADDED BY THE COMMITTEE

Increase in Social Security Benefits

The Committee bill provides for a general 10-percent increase in social security benefits in place of the 5-percent increase in the House-passed bill. The increase would be effective with the benefit checks that will be delivered July 3.

However, it seems unlikely that Congress could take final action on the bill in time for the higher amounts to show up in the July checks. The increase, therefore, will be paid retroactively after the bill is enacted.

Under the Committee bill about 27.8 million social security beneficiaries will receive higher benefits and about $4.3 billion in additional benefits will be paid in 1974 as a result of the 10 percent benefit increase. The average retirement benefit would rise from an estimated $133 to $147 a month, rather than to $141 as under the House bill. The average benefits for aged couples would increase from an estimated $223 to $247 a month, rather than to $234 a month under the House-passed bill. A worker with maximum earnings creditable under social security who retired at age 65 this year would get a monthly benefit of $237.80 rather than $216.10 as under present law. If he and his wife both become entitled to benefits at age 65, they would get $356.70 rather than $324.20 under present law.

The minimum benefit would be increased by 5 percent from $70.40 to $74.00, as in the House-passed bill.

Special benefits for people age 72 and over who are not insured for regular benefits would be increased by 5 percent, as in the House-passed bill, from $48.30 to $50.80 for individuals and from $72.50 to $76.20 for couples.

Special Minimum Benefits

The House-passed bill would provide a special minimum benefit of $5 multiplied by the number of years in covered employment up to thirty years, producing a benefit of at least $150 a month for a worker who has been employed for 30 years under social security coverage. The Committee bill replaces this with a provision for a special minimum benefit under the social security program which would provide a payment of $200 per month ($300 for a couple) for persons who have been employed in covered employment for thirty years. This benefit would be paid as an alternative to the regular benefits in cases where a higher benefit would result.

Specifically, the Committee bill would provide a special minimum of $10 per year for each year in covered employment in excess of ten years (for purposes of this special minimum, there would be no credit for the first ten years of employment). Under this provision, the new higher minimum benefit would become payable to people with 18 or more years of employment; at that point, the special minimum benefit—$80—would be more than the regular minimum. A worker with twenty years of employment under social security would thus be guaranteed a benefit of at least $100; one with twenty-five years would be guaranteed at least $150, while one with thirty years would receive at least $200 a month. Minimum payments to a couple would be one and one-half times these amounts.

The level of payments under the present law, the House bill, and the Committee bill are shown in the following table:

TABLE 1.—COMPARISON OF MONTHLY BENEFITS UNDER PRESENT LAW, HOUSE BILL, AND COMMITTEE BILL

Average monthly earnings	Years of employment under social security	Retirement benefit for an individual under—		
		Present law	House Bill	Committee Bill
$200	20	$128.60	$135.10	$141.50
$200	25	128.60	135.10	150.00
$200	30 or more	128.60	150.00	200.00
$250	20	145.60	152.90	160.20
$250	25	145.60	152.90	160.20
$250	30 or more	145.60	152.90	200.00
$300	20	160.90	169.00	177.00
$300	25	160.90	169.00	177.00
$300	30 or more	160.90	169.00	200.00

Effective date.—January 1973.

Number of people affected and dollar payments.—1.3 million people would get increased benefits on the effective date and $300 million in additional benefits would be paid in 1974.

Automatic Increases in Benefits, the Tax Base, and the Earnings Test

The Committee bill retains the provisions in the House bill providing for automatic annual increases in social security benefits as the cost of living rises. These increases would go into effect each January whenever the Consumer Price Index goes up by at least 3 percent. However, the Committee did change the method of financing the additional benefits paid under the automatic mechanism. Under the Committee bill, the financing would be directly related to the amount of the additional benefits and one-half would be provided from an increase in the tax rate and one-half from an increase in earnings (presently $9,000 and increasing to $10,200 beginning January 1973 under the Committee bill) subject to the social security tax. Under the House-passed bill, the financing mechanism would not be related to the cost of the automatic benefit increase, but rather to changes in wage rates. Under the House bill, the increased benefits would be financed entirely through an increase in the taxable wage base.

Effective date.—The first cost-of-living increase would be possible for January 1975.

Increased Benefits for Those Who Delay Retirement Beyond Age 65

The Committee bill includes the provisions in the House bill which would provide for an increase in social security benefits of one percent for each year after age 65 that the individual delays his retirement. However, the committee modified the provision so that the additional benefit would apply to persons already retired, rather than only to those coming on the social security rolls after the bill's enactment.

Effective date.—January 1973.

Number of people affected and dollar payment.—5 million people would get increased benefits on the effective date and $180 million in additional benefits would be paid in 1974.

Reduction in Waiting Period for Disability Benefits

Under the House bill, the present 6-month period throughout which a person must be disabled before he can be paid disability benefits would be reduced by one month (to 5 months). Under the committee bill, the waiting period would be reduced 2 months to a 4-month period.

Effective date.—January 1973.

Number of people affected and dollar payments.—950,000 beneficiaries would become entitled to higher benefit payments on the effective date and 8,000 additional people would become entitled to benefits. About $250 million in additional benefits would be paid in 1974.

Benefits for a Child Based on the Earnings Record of a Grandparent

Under the House bill, coverage would be extended to grandchildren not adopted by their grandparents if their parents have died and if the grandchildren were living with a grandparent at the time the grandparent qualified for benefits. The Committee approved the House provision but extended it to instances where the grandchild's parents either are totally disabled or have died, and the grandchild is living with a grandparent.

Effective date.—January 1973.

Refund of Social Security Tax to Members of Certain Religious Faiths Opposed to Insurance

Under present law, members of certain religious sects who have conscientious objections to social security by reason of their adherence to the established teachings of the sect may be exempt from the social security self-employment tax provided they also waive their eligibility for social security benefits. This exemption was written largely to relieve the Old Order Amish from having to pay the social security tax when, because of their religious beliefs, they would never draw social security benefits.

The Committee bill would extend the exemption (by a refund or credit against income taxes at year end) from social security taxes to members of the sect who are "employees" covered by the Social Security Act as well as the "self-employed" members of the sect. The employee would have to file an application for exemption from the tax and waive his eligibility for social security and medicare benefits just as the self-employed members must presently do. Although a qualified individual would be exempt from the tax, his employer would continue to deduct the tax from his pay and to pay the employer tax. Later the employee could claim a refund or a tax credit. However, the provision specifically provides that there would be no forgiveness of the employer portion of the social security tax as the Committee believes this would create an undesirable situation in which an employer would have a tax incentive to hire people of one religious belief in preference to those of other religious beliefs.

Effective date.—January 1973.

Sister's and Brother's Benefits

The Committee bill includes a provision (not contained in the House bill) to extend social security coverage to dependent sisters and to dependent disabled brothers.

Effective date.—January 1973.

Number of people affected and dollar payments.—50,000 additional people would become eligible for benefits on the effective date and $70 million in additional benefits would be paid in 1974.

Disability Benefits for Individuals Who Are Blind

The Committee bill includes provisions (not contained in the House-passed bill): (a) making disability benefits payable to blind persons

who have six quarters of coverage earned at any time; (b) changing the definition of disability for the blind to permit them to qualify for benefits regardless of their capacity to work and whether they work; (c) permitting the blind to receive disability benefits beyond age 65 without regard to the retirement test; and (d) excluding the blind from the requirement that disability benefits be suspended when a beneficiary refuses without good cause to accept vocational rehabilitation.

Effective date.—January 1973.

Number of people affected and dollar payments.—250,000 additional people would become eligible for benefits on the effective date and $200 million in additional benefits would be paid in 1974.

Issuance of Social Security Numbers and Penalty for Furnishing False Information to Obtain a Number

The Committee bill includes a number of provisions (not contained in the House bill) dealing with the method of issuing social security account numbers. Under present law, numbers are issued upon application, often by mail, upon the individual's motion.

Under a Committee amendment, numbers in the future generally would be issued at the time an individual enters the school system; for most persons, this would be the first grade. In the case of noncitizens entering the country under conditions which would permit them to work, numbers would be issued at the time they enter the country or in the case of a person who may not legally work at the time he is admitted to the United States, the number would be issued at the time his status changes. In addition to these general rules, numbers would be issued to persons who do not have them at the time they apply for benefits under any federally financed program.

As a corollary to this more orderly system of issuing social security account numbers, the Committee bill would provide criminal penalties for (1) knowingly and willfully using a social security number that was obtained with false information for any purpose or (2) using someone else's social security number or other use of a social security number to conceal one's true identity (such as by counterfeiting a social security number) for such purposes. The penalties provided would be a fine of up to $1,000 or imprisonment for up to one year or both. These criminal penalties perfect and improve upon features of the House bill relating to false information with respect to social security numbers.

Treatment of Income From Sale of Certain Literary or Artistic Items

The Committee bill includes a provision (not contained in the House bill) to exclude income from sale of certain literary or artistic items created before age 65 from income for purposes of determining the amount of benefits to be withheld under the social security earnings test. Under existing law, such income is not counted if the literary work was copyrighted before age 65. Under the amendment, the time of copyright is immaterial so long as the work which produced the literary or artistic item was performed before age 65.

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Underpayments

The Committee bill includes a provision (not contained in the House bill) under which additional relatives (by blood, marriage, or adoption) would be added to the present categories of persons listed in the law who may receive social security cash payments due but unpaid to a deceased beneficiary.

Payments by an Employer to Disability Beneficiaries or to the Survivor or Estate of a Former Employee

Under the House bill amounts earned by an employee which are paid after the year of his death to his survivors or his estate would be excluded from coverage. The Committee bill would extend the provision to payments made to disability insurance beneficiaries. Under present law, such wages are covered and social security taxes must be paid on these wages but the wages cannot be used to determine eligibility for or the amount of social security benefits.

Death Benefits Where Body Is Unavailable

Under Public Law 92–223, expenses of memorial services can be counted as funeral expenses for the purpose of the social security lump sum death payment, even though the body is unavailable for burial or cremation. The provision applies only with respect to deaths after December 29, 1971. The Committee bill would cover deaths occurring after 1960, thus spanning the entire period of the Vietnam action.

2. PROVISIONS OF THE HOUSE BILL THAT WERE NOT CHANGED BY THE COMMITTEE

Increase in Widow's and Widower's Insurance Benefits

Under present law, when benefits begin at or after age 62 the benefit for a widow (or dependent widower) is equal to 82½ percent of the amount the deceased worker would have received if his benefit had started when he was age 65. A widow can get a benefit at age 60 reduced to take account of the additional 2 years in which she would be getting benefits.

Both the House bill and the Committee bill would provide benefits for a widow equal to the benefit her deceased husband would have received if he were still living. Under the bill, a widow whose benefits start at age 65, or after, would receive either 100 percent of her deceased husband's primary insurance amount (the amount he would have been entitled to receive if he began his retirement at age 65) or, if his benefits began before age 65, an amount equal to the reduced benefit he would have been receiving if he were alive.

Under the bill, the benefit for a widow (or widower) who comes on the rolls between 60 and 65 would be reduced (in a way similar to the way in which widows' benefits are reduced under present law when they begin drawing benefits between ages 60 and 62) to take account of the longer period over which the benefit would be paid.

Effective date.—January 1973.

Number of people affected and dollar payments.—3.8 million people would get increased benefits on the effective date and $1 billion in additional benefits would be paid in 1974.

Age 62 Computation Point for Men

Under present law, the method of computing benefits for men and women differs in that years up to age 65 must be taken into account in determining average earnings for men, while for women only years up to age 62 must be taken into account. Also, benefit eligibility is figured up to age 65 for men but only up to age 62 for women. Under both the House bill and the Committee bill, these differences, which provide special advantages for women, would be eliminated by applying the same rules to men as now apply to women.

Effective date.—The new provision would become effective, starting January 1973, over a 3-year transition period.

Liberalization of the Retirement Test

The amount that a beneficiary under age 72 may earn in a year and still be paid full social security benefits for the year would be increased from the present $1,680 to $2,000. Under present law, benefits are reduced by $1 for each $2 of earnings between $1,680 and $2,800 and for each $1 of earnings above $2,880. The bill would provide for a $1 reduction for each $2 of all earnings above $2,000; there would be no $1-for-$1 reduction as under present law. Also, in the year in which a person attains age 72 his earnings in and after the month in which he attains age 72 would not be included, as under present law, in determining his total earnings for the year.

Effective date.—January 1973.

Number of people affected and dollar payments.—1.1 million beneficiaries would become entitled to higher benefit payments on the effective date and 400,000 additional people would become entitled to benefits. About $650 million in additional benefits would be paid in 1974.

Childhood Disability Benefits

Childhood disability benefits would be paid to the disabled child of an insured retired, deceased, or disabled worker, if the disability began before age 22, rather than before 18 as under present law. In addition, a person who was entitled to childhood disability benefits could become re-entitled to childhood disability benefits if he again becomes disabled within 7 years after his prior entitlement to such benefits was terminated.

Effective date.—January 1973.

Number of people affected and dollar payments.—13,000 additional people would become eligible for benefits on the effective date and $16 million in additional benefits would be paid in 1974.

Continuation of Child's Benefits Through the End of a Semester

Payment of benefits to a child attending school would continue through the end of the semester or quarter in which the student (including a student in a vocational school) attains age 22 (rather

than the month before he attains age 22) if he has not received, or completed the requirements for, a bachelor's degree from a college or university.

Effective date.—January 1973.

Number of people affected and dollar payments.—55,000 present beneficiaries would have their benefits continued and 6,000 additional people would become eligible for benefits on the effective date and $18 million in additional benefits would be paid in 1974.

Eligibility of a Child Adopted by an Old-Age or Disability Insurance Beneficiary

The provisions of present law relating to eligibility requirements for child's benefits in the case of adoption by an old-age insurance beneficiary or by disability insurance beneficiaries would be modified to make the requirements uniform in both cases. A child adopted after a retired or disabled worker becomes entitled to benefits would be eligible for child's benefits based on the worker's earnings if the child is the natural child or stepchild of the worker or if (1) the adoption was decreed by a court of competent jurisdiction within the United States, (2) the child lived with the worker in the United States for the year before the worker became disabled or entitled to an old-age or disability insurance benefit, (3) the child received at least one-half of his support from the worker for that year, and (4) the child was under age 18 at the time he began living with the worker.

Effective date.—January 1973.

Nontermination of Child's Benefits by Reason of Adoption

A child's benefit would no longer stop when the child is adopted.

Effective date.—January 1973.

Disability Benefits Affected by the Receipt of Workmen's Compensation

Under present law, social security disability benefits must be reduced when workmen's compensation is also payable if the combined payments exceed 80 percent of the worker's average current earnings before disablement. Average current earnings for this purpose can be computed on two different bases and the larger amount will be used. The bills add a third alternative base, under which a worker's average current earnings can be based on the one year of his highest earnings in a period consisting of the year of disablement and the five preceding years.

Effective date.—January 1973.

Dependent Widower's Benefits at Age 60

Widowers under age 62 could be paid reduced benefits (on the same basis as widows under present law) starting as early as age 60.

Effective date.—January 1973.

Waiver of Duration-of-Marriage Requirement in Case of Remarriage

The duration-of-marriage requirement in present law for entitlement to benefits as a worker's widow, widower, or stepchild—that is, the period of not less than nine months immediately prior to the day on which the worker died that is now required (except where death was accidental or in the line of duty in the uniformed service, in which case the period is three months)—would be waived in cases where the worker and his spouse were previously married, divorced, and remarried, if they were married at the time of the worker's death and if the duration-of-marriage requirement would have been met at the time of the divorce had the worker died then.

Effective date.—January 1973.

Wage Credits for Members of the Uniformed Services

Present law provides for a social security noncontributory wage credit of up to $300, in addition to contributory credit for basic pay, for each calendar quarter of military service after 1967. Under the bill, the additional noncontributory wage credits would also be provided for service during the period January 1957 (when military service came under contributory social security coverage) through December 1967.

Disability Insurance Benefits Applications Filed After Death

Disability insurance benefits (and dependents' benefits based on a worker's entitlement to disability benefits) would be paid to the disabled worker's survivors if an application for benefits is filed within 3 months after the worker's death, or within 3 months after enactment of this provision for deaths occurring after 1969.

Coverage of Members of Religious Orders Who Are Under a Vow of Poverty

Social security coverage would be made available to members of religious orders who have taken a vow of poverty, if the order makes an irrevocable election to cover these members as employees of the order.

Self-Employment Income of Certain Individuals Living Temporarily Outside the United States

Under present law, a U.S. citizen who retains his residence in the United States but who is present in a foreign country or countries for approximately 17 months out of 18 consecutive months, must exclude the first $20,000 of his earned income in computing his taxable income for social security and income tax purposes. The bill would provide the U.S. citizens who are self-employed outside the United States and who retain their residence in the United States would not exclude the first $20,000 of earned income for social security purposes and would compute their earnings from self-employment for social security pur-

poses in the same way as those who are self-employed in the United States.

Trust Fund Expenditures for Rehabilitation Services

Provides an increase in the amount of social security trust fund moneys that may be used to pay for the costs of rehabilitating social security disability beneficiaries. The amount would be increased from 1 percent of the previous year's disability benefits (as under present law) to 1¼ percent for fiscal year 1972 and to 1½ percent for fiscal year 1973 and subsequent years.

3. OTHER CASH BENEFIT AMENDMENTS

Other amendments included in the Committee's bill relate to the executive pay level of the Commissioner of Social Security; the coverage of U.S. missionaries working outside the U.S.; retroactive benefits for certain disabled persons; social security benefits for a child entitled on the earnings of more than one person; filing of disability applications; social security coverage for students employed at State operated schools; and social security coverage of Registrars of Voters in Louisiana; coverage of certain policemen and firemen in West Virginia; and wage credits for Americans of Japanese ancestry who were interned by the U.S. Government during World War II.

In addition, in order to pay for a portion of the long-range costs associated with the 10-percent across-the-board benefit increase, the Committee deleted the House-passed amendments relating to actuarially reduced benefits in one category not being made applicable to certain benefits in other categories; the computation of benefits based on combined earnings of a married couple; and to the dropping of additional years of low earnings from the computation of average earnings.

PRINCIPAL MEDICARE-MEDICAID PROVISIONS

1. PROVISIONS OF HOUSE BILL NOT SUBSTANTIALLY MODIFIED BY COMMITTEE

Medicare Coverage for Disabled Beneficiaries

(Section 201)

Problem

The disabled, as a group, are similar to the elderly in those characteristics—low incomes and high medical expenses—which led Congress to provide health insurance for older people. They use about seven times as much hospital care, and about three times as much physicians' services as does the nondisabled population. In addition, disabled persons are often unable to obtain private health insurance coverage.

Finance Committee Amendment

Effective July 1, 1973, a social security disability beneficiary would be covered under Medicare after he had been entitled to disability benefits for not less than 24 consecutive months. Those covered would include disabled workers at any age; disabled widows and disabled dependent widowers between the ages of 50 and 65; beneficiaries age 18 or older who receive benefits because of disability prior to reaching age 22; and disabled qualified railroad retirement annuitants. An estimated 1.5 million disabled beneficiaries would be eligible initially. Estimated first full-year cost is $1.5 billion for hospital insurance and $350 million for supplementary medical coverage.

Hospital Insurance for the Uninsured

(Section 202)

Problem

A substantial number of people reaching or presently over age 65 are ineligible for Social Security and thus cannot secure Part A (hospital insurance) coverage under Medicare. These people have difficulty in securing private health insurance coverage with benefits as extensive as those of Medicare.

Finance Committee Amendment

The Committee bill will permit persons age 65 or over who are ineligible for Part A of Medicare to voluntarily enroll for hospital insurance coverage by paying the full cost of coverage (initially estimated at $31 monthly and to be recalculated annually). Where the Secretary of HEW finds it administratively feasible, those State and other public employee groups which have, in the past, voluntarily elected *not* to participate in the Social Security program could opt

for and pay the Part A premium costs for their retired or active employees age 65 or over.

The Finance Committee amendment requires enrollment in Part B of Medicare as a condition of buying into Part A.

Part B Premium Charges

(Section 203)

Problem

During the first 5 years of the program it has been necessary to increase the Part B premium almost 100 percent—from $3.00 monthly per person in July 1966 to a scheduled $5.80 rate in July 1972. The government pays an equal amount from general revenues. This increase and projected future increases represent an increasingly significant financial burden to the aged living on incomes which are not increasing at a similar rate.

Finance Committee Amendment

The Committee bill will limit Part B premium increase to not more than the percentage by which the Social Security cash benefits had been generally increased since the last Part B premium adjustment. Costs above those met by such premium payments would be paid out of general revenues in addition to the regular general revenue matching.

Automatic Enrollment for Part B

(Section 206)

Problem

Under present law, eligible individuals must initiate action to enroll in Part B of Medicare. Nearly 96 percent of eligible older people so enroll. Some eligibles, however, due to inattention or inability to manage their affairs, fail to enroll in timely fashion and lose several months or even years of necessary medical insurance coverage.

Finance Committee Amendment

Effective July 1, 1973, the change provides for automatic enrollment under Part B for the elderly and the disabled as they become eligible for Part A hospital insurance coverage. Persons eligible for automatic enrollment must also be fully informed as to the procedure and given an opportunity to decline the coverage.

Relationship Between Medicare and Federal Employees' Benefits

(Section 210)

Problem

Federal retirees and older employees have been required to take full coverage and pay full premiums for Federal employee coverage despite the fact that the Federal Employees' Programs *will not pay* any benefits for services covered under Medicare. Thus the retiree, who also

has earned entitlement to Medicare, is paying a portion of his premium to F.E.P. for coverage for which no benefits will be paid him. This is particularly true in the case of hospitalization. The F.E.P. does not presently offer such employees or retirees with dual eligibility the option of electing a lower-cost policy or one which supplements rather than duplicates Medicare benefits.

Finance Committee Amendment

Effective January 1, 1975, Medicare would not pay a beneficiary, who is also a Federal retiree or employee, for services covered under his Federal Employee's health insurance policy which are also covered under Medicare unless he has had an option of selecting a policy *supplementing* Medicare benefits. If a suplemental policy is not made available, the F.E.P. would then have to pay first on any items of care which were covered under both the F.E.P. program and Medicare.

Limitation on Federal Payments for Disapproved Capital Expenditure

(Section 221)

Problem

A hospital or nursing home can, under present law, make large capital expenditures which may have been disapproved by the State or local health care facilities planning council and still be reimbursed by Medicare and Medicaid for capital costs (depreciation, interest on debt, return on net equity) associated with that expenditure.

Finance Committee Amendment

The Committee bill will prohibit reimbursement to providers under the Medicare and Medicaid programs for capital costs associated with expenditures of $100,000 or more which are specifically determined to be inconsistent with State or local health facility plans.

Experiments in Prospective Reimbursement and Peer Review

(Section 222)

Problem

Reimbursement on the present reasonable costs basis contains little incentive to decrease costs or to improve efficiency, and retrospective cost-finding and auditing have caused lengthy delays and confusion. Payment determined on a prospective basis might provide an incentive to cut costs. However, under prospective payment providers might press for a rate less favorable to the Government than the present cost method, and they might cut back on the quality, range and frequency of necessary services so as to reduce costs and maximize return.

Finance Committee Amendment

The Committee bill instructs the Secretary to experiment with various methods of prospective reimbursement, and to report to the Congress with an evaluation of such experiments. In view of its adoption of the Professional Standards Review amendment, the Committee deleted the portion of this section authorizing peer review experimentation.

Limitations on Coverage of Costs

(Section 223)

Problem

Certain institutions may incur excessive costs, relative to comparable facilities in the same area, as a result of inefficiency or "the provision of amenities in plush surroundings." Such excessive costs are now reimbursed under Medicare.

Finance Committee Amendment

The Committee bill authorizes the Secretary to establish limits on overall direct or indirect costs which will be recognized as reasonable for comparable services in comparable facilities in an area. He may also establish maximum acceptable costs in such facilities with respect to items or groups of services (for example, food costs, or standby costs). The beneficiary is liable for any amounts determined as excessive (except that he may not be charged for excessive amounts in a facility in which his admitting physician has a direct or indirect ownership interest). The Secretary is required to give public notice as to those facilities where beneficiaries may be liable for payment of costs determined as not "necessary" to efficient patient care.

In cases where emergency care is involved, however, patients would not be liable for any differential in costs related to the emergency care.

Limitation on Prevailing Charge Levels

(Section 224)

Problem

Under the present reasonable charge policy, Medicare pays in full any physician's charge that falls within the 75th percentile of customary charges in an area. However, there is no limit on how much physicians, in general, can increase their customary charges from year to year and thereby increase Medicare payments and costs.

Finance Committee Amendment

The Committee bill recognizes as reasonable, for Medicare reimbursement purposes only, those charges which fall within the 75th percentile. Starting in 1973, increases in physicians' fees allowable for Medicare purposes, would be limited by a factor which takes into account increased costs of practice and the increase in earnings levels in an area.

With respect to reasonable charges for medical supplies and equipment, the amendment would provide for recognizing only the lower charges at which supplies of similar quality are widely available.

Payment for Physicians' Services in the Teaching Setting

(Section 227)

Problem

Physicians in private practice are generally reimbursed on a fee-for-service basis for care provided to their bona fide private patients. Difficulties have arisen in determining how and whether payments should be made in teaching hospitals where the actual care is often

rendered by interns and residents under the direction (sometimes nominal) of an attending physician who is assigned to (but not selected by) the Medicare patient.

The issue relates to the compensation of the attending physician often termed the supervisory or teaching physician. The salaries of interns and residents are now covered in full as a Part A hospital cost. In general, patients were not billed for the services of teaching physicians prior to Medicare and, since Medicare, billings have been essentially limited to Medicare and Medicaid patients. The proceeds are most frequently used to finance and subsidize medical education rather than being paid directly to the teaching doctor. While charges have often been billed on a basis comparable to those charged by a private physician to his private patients the services provided are often less.

Finance Committee Amendment

The Committee bill provides that services of teaching physicians would be reimbursed on a costs basis unless:

(A) The patient is bona fide private or;

(B) The hospital has charged all patients and collected from a majority on a fee-for-service basis.

For donated services of teaching physicians, a salary cost would be imputed equal to the prorated usual costs of full-time salaried physicians. Any such payment would be made to a special fund designated by the medical staff to be used for charitable or educational purposes.

Advance Approval of ECF and Home Health Coverage

(Section 228)

Problem

Uncertainty about determinations of eligibility for care in an extended care facility or home health program following hospitalization have created major difficulties for intermediaries, institutions and beneficiaries. The essential problem is in determining whether the patient is in need of skilled nursing and medical services or in fact, needs a lesser level of care. Retroactive claims denials resulting from determinations that skilled care was not required, while often justified, have created substantial friction and ill will.

Finance Committee Amendment

The Committee bill authorizes the Secretary to establish, by diagnosis, minimum periods during which the post-hospital patient would be presumed to be eligible for benefits.

Termination of Payment to Suppliers of Service

(Section 229)

Problem

Present law does not provide authority for the Secretary to withhold future payments for services rendered by an institution or physician who abuse the program, although payments for past claims may be withheld on an individual basis where the services were not reasonable or necessary.

Finance Committee Amendment

The Secretary would be authorized to suspend or terminate Medicare payments to a provider found to have abused the program. Further, there would be no Federal participation in Medicaid payments which might be made subsequently to this provider. Program review teams would be established in each State to furnish the Secretary with professional advice in discharging this authority.

Elimination of Requirement That States Move Toward Comprehensive Medicaid Program

(Section 230)

Problem

The Medicaid program has been a significant burden on State finances. Section 1903(e) of Title 19 requires each State to show that it is making efforts in the direction of broadening the scope of services in its Medicaid program and liberalizing eligibility requirements for medical assistance. These required expansions of Medicaid programs have been forcing States to either cut back on other programs or to consider dropping Medicaid. The original date for attainment of those objectives was 1975. The Finance Committee, the Senate and the House approved an amendment in 1969 postponing the date to 1977.

Finance Committee Amendment

The Committee bill would repeal section 1903(e).

Relationship Between Medicaid and Comprehensive Health Programs

(Section 240)

Problem

State agencies often cannot make pre-payment arrangement which might result in more efficient and economical delivery of health services to Medicaid recipients because such arrangements might violate present Title 19 requirements that the same range and level of services be available to all recipients throughout the State.

Finance Committee Amendment

The Committee bill would permit States to waive Federal statewideness and comparability requirements with approval of the Secretary if a State contracts with an organization which has agreed to provide health services in excess of the State plan to eligible recipients who reside in the area served by the organization and who elect to receive services from such organization. Payment to such organizations could not be higher on a per-capita basis than the per-capita medicaid expenditures in the same general area.

Program for Determining Qualifications for Certain Health Care Personnel

(Section 241)

Problem

There is a shortage of qualified manpower in the health care field and many facilities have difficulty hiring sufficient qualified personnel.

At the same time there are persons available who do not meet full licensing or Medicare educational requirements, but who have had years of experience and have been granted "waivered" status (for example, waivered licensed practical nurses).

Finance Committee Amendment

The Committee bill would require the Secretary to develop and apply appropriate means of determining the proficiency of health personnel who are disqualified or restricted in responsibility under present regulations because of lack of formal training or educational requirements.

In order to encourage young people to complete required training, all health personnel initially licensed after Dec. 31, 1975 would be expected to meet otherwise required formal educational and training criteria.

Penalties for Fraudulent Acts and False Reporting Under Medicare and Medicaid

(Section 242)

Problem

Present penalty provisions applicable to Medicare do not specifically include as fraud such practices as kickbacks and bribes. There is no criminal penalty provision applicable to Medicaid. Additionally, there are no penalties at present for false reporting with respect to health and safety conditions in participating institutions.

Finance Committee Amendment

The Committee bill would establish penalties for soliciting, offering or accepting bribes or kickbacks, or for concealing events affecting a person's rights to benefits with intent to defraud, or for converting benefit payments to improper use, of up to one year's imprisonment and a $10,000 fine or both. Concealing knowledge of events affecting a person's right to benefits with intent to defraud, and converting benefits to improper use would also be a Federal crime subject to the same penalty. Additionally, the bill establishes false reporting of a material fact as to conditions or operations of a health care facility as a misdemeanor subject to up to 6 months' imprisonment, a fine of $2,000, or both.

Prosthetic Lenses Furnished by Optometrists Under Part B

(Section 264)

Problem

Medicare will pay for prosthetic lenses furnished by an optometrist, provided that the medical necessity for such lenses has been determined by a physician.

Optometrists contend that to require their patients to obtain a physician's order for prosthetic lenses is unfair to both the patient and the optometrist. Moreover, because the physician who furnishes the order is generally an opthalmologist, the requirement may serve to encourage patients to use an ophthalmologist in preference to an optometrist.

Finance Committee Amendment

The Committee bill provides that, for the purposes of the medicare program, an optometrist be recognized as a "physician" under section 1861(r) of the Act, but only with respect to establishing the medical necessity of prosthetic lenses for medicare beneficiaries. An optometrist would not be recognized as a "physician" for any other purposes under medicare and no additional services performed by optometrists would be covered by the proposal.

2. PROVISIONS OF HOUSE BILL SUBSTANTIALLY MODIFIED BY COMMITTEE

Failure by States To Undertake Required Institutional Care Review Activities

(Section 207)

Problem

Both the General Accounting Office and the HEW Audit Agency have found substantial unnecessary and overutilization of costly institutional care under Medicaid, accompanied by insufficient usage of less costly alternative out-of-institution health care. There is no provision in present law which places affirmative responsibility upon States to assure proper patient placement. As a practical matter, the Department of HEW has seldom if ever, recovered from a State amounts improperly spent for non-covered care or services.

House Bill

1. Unless a State can make a showing satisfactory to the Secretary that the State has an effective program of control over the utilization of nursing home care, effective January 1, 1973, the House bill provides for a one-third reduction in the Federal Medicaid matching share for stays in a fiscal year which exceed 60 days in a skilled nursing home.

2. Federal matching would be available, in any year, for only: (a) 60 days of care in a general or TB hospital, and (b) 90 days in a mental hospital (except that an additional 30 days would be allowed in a mental hospital if the State shows that the patient will benefit). There would be no Federal matching for care in a mental hospital beyond 120 days in any year. In addition, there would be no Federal matching for care in a mental hospital after 365 days of such care during a patient's lifetime.

3. The House bill would also provide for an increase of 25% (up to a maximum of 95%) in the Federal Medicaid matching formula for amounts paid by States under contracts with Health Maintenance Organizations or other comprehensive health care facilities.

4. The bill would provide authority for the Secretary to assure that average Statewide reimbursement for intermediate care in a State is reasonably lower than average payments for higher level skilled nursing home care in that State.

Finance Committee Changes

1. In addition to the utilization review requirement, States must also conduct the independent professional audits of patients as required

by present law which are intended to assure that the patient is getting the right care in the right place.

2. Where a State makes a satisfactory showing to the Secretary that it has an effective program of control over the utilization of hospital and mental hospital care: (a) the 60-day limitation in general and TB hospitals, and (b) the 90-day or 120-day annual limitation and the 365-day lifetime limitation on care in mental hospitals, would not apply. If proper procedures assure that the patient needs the care and is benefiting from it, it seemed inappropriate to cut off Federal matching utilizing arbitrary limitations.

3. The Committee deleted the House provision calling for a 25% increase in matching for amounts paid to HMO's, since if HMO's deliver services more efficiently, and economically, it would be in the States' interest to deal with HMO's without an increase in matching.

4. Intermediate care services would also be subject to a reduction in Federal matching after 60 days, unless the State provides satisfactory assurance that required review is being undertaken. This appeared appropriate in view of the shift of intermediate care to Medicaid in legislation enacted subsequent to House consideration of H.R. 1.

5. Finally, the Secretary's validation of State utilization controls would be made on site in the States and such findings would be a matter of public record. The purpose here is to assure actual—rather than paper—compliance with the proposed statutory requirements.

Cost Sharing Under Medicaid

(Section 208)

Problem

Under present law, States may require payment by the medically indigent of premiums, deductibles and co-payment amounts with respect to Medicaid services provided them but such amounts must be "reasonably related to the recipient's income." However, States cannot require cash assistance recipients to pay any deductibles or co-payments.

House Bill

This section contains 3 provisions:

1. It requires States which cover the medically indigent to impose monthly premium charges. The premium would be graduated by income in accordance with standards prescribed by the Secretary and details regarding the operation of the premium would be left to the Secretary's discretion. The House Committee report indicates that it would be expected that premiums would be fixed on a state-by-state basis at whatever level would be required to result in a savings under the medically indigent program of approximately 6 percent.

2. States could, at their option, require payment by the medically-indigent of deductibles and co-payment amounts which would not have to vary by level of income.

3. With respect to cash assistance recipients, nominal deductible and co-payment requirements, while prohibited for the six mandatory services required under Federal law (inpatient hospital services; outpatient hospital services; other X-ray and laboratory services; skilled nursing home services; physicians' services; and home health services),

would be permitted with respect to optional Medicaid services such as prescribed drugs, hearing aids, etc.

Finance Committee changes

The provision would be modified by the Committee bill as follows:

1. The House bill permits States to impose co-payments and deductibles on the medically-indigent. The change limits such amounts to co-payments on patient-initiated elective services only, such as the initial office visits to physicians and dentists.

2. The House bill also allows States to impose co-payments and deductibles on the indigent for optional Medicaid services. The committee deleted this provision, as the savings ($5 million) would most probably be exceeded by the administrative costs.

Mandatory Medicaid Deductible for Families With Earnings (Section 209)

Problem

Under present law, AFDC families with earnings can, at a certain earnings point lose eligibility for Medicaid. This has been called the "Medicaid Notch". This notch is believed to act as a potential work disincentive, since at a certain income level a family may precipitously lose Medicaid eligibility if it has additional earnings.

House Bill

Section 209 would remove this "notch" by requiring AFDC families with earnings to pay a Medicaid deductible. In States without a medically indigent program this deductible would be equal to one-third of all earnings over $720. The deductible amount is identical to the amount of earnings which AFDC families would be allowed to retain as an incentive to work. This approach eliminates any sudden loss of Medicaid eligibility. However, although eligible for Medicaid, every dollar of a recipient's retained earnings raises his Medicaid deductible by one dollar.

In those States with programs for the medically indigent, an AFDC recipient would not have to pay the deductible until his retained earnings exceeded the difference between a State's cash assistance level and its medically indigent level. At this point, however, his Medicaid deductible would increase dollar for dollar with his retained earnings.

Finance Committee Changes

Although the House provision eliminates any sudden loss of eligibility for Medicaid, the provision acts as a substantial work disincentive, since the Medicaid deductible increases dollar for dollar with retained earnings.

In order to avoid establishing a substantial work disincentive the Committee amended Section 209 to deal with the "Medicaid Notch" by allowing Work Program families otherwise eligible for Medicaid, who would ordinarily lose eligibility as a result of earnings from employment, to remain eligible for Medicaid for one year. At the expiration of that year, such families could elect to continue in Medicaid by paying a premium of 20 percent of income in excess of $2,400 annually (excluding work bonus amounts). Additionally, other families participating in the Work Program (see Title IV) which are otherwise ineligible for Medicaid in a State could also vol-

untarily elect to participate by paying a premium of 20 percent of income (excluding work bonus) above $2,400. Costs of coverage for those families on a premium basis would be subsidized by the Federal Government to the extent premium income did not cover the costs of benefits for those families.

The Committee retained that portion of Section 209 of the House bill which gives States the option of covering under Medicaid aged, blind and disabled persons made newly eligible as a result of the increases in payment levels to these persons proposed by the Committee.

Medicare Benefits for Border Residents

(Section 211)

Problem

At present, coverage for care in a foreign hospital near the U.S. border is available only where an emergency occurs *within* the United States and where the foreign institution is the closest adequate facility. This limitation creates difficulty in securing necessary non-emergency care by border residents who ordinarily do and would use the nearest hospital suited to their medical needs, which may be a foreign hospital.

House Bill

Authorizes use of a foreign hospital by a U.S. resident where such hospital was closer to his residence or more accessible than the nearest suitable United States hospital. Such hospitals must be approved under an appropriate hospital approval program.

In addition, the provision authorizes Part B payments for necessary physicians' services furnished in conjunction with such hospitalization.

Finance Committee Changes

The Committee approved the House provisions; it also authorized Medicare payments for emergency hospital and physician services needed by beneficiaries in transit between Alaska and the other continental States.

Payments to Health Maintenance Organizations

(Section 226)

Problem

Certain large medical care organizations seem to make the delivery of medical care more efficient and economical than the medical care community at large.

Medicare does not currently pay these comprehensive programs on an incentive capitation basis, and consequently any financial incentives to economical operation in such programs have not been incorporated in Medicare.

Two areas of potential concern arise in dealing with HMO's. The first area of concern involves the quality of care which the HMOs will deliver. Most existing large HMOs provide care which is generally accepted as being as of professional quality. However, if the Government begins on a widespread basis, to pay a set sum in advance to an organization in return for the delivery of all necessary care to

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a group of people, there must be effective means of assuring that such organizations will not be tempted to cut corners on the quality of their care (e.g., by using marginal facilities or by not providing necessary care and services) in order to maximize their return or "profit." Under present reimbursement arrangements, although there may be no incentive for efficiency, neither is there an incentive to profit through underservicing and other corner-cutting.

The second problem area involves the reimbursement of HMO's. If an HMO were to enroll relatively good risks (i.e., the younger and healthier Medicare beneficiaries), payment to that organization in relation to average per capita non-HMO costs—without accurate actuarial adjustments—could result in large "windfalls" for the HMO, as the current costs of caring for these beneficiaries might turn out to be much less than Medicare's average per capita costs. Additionally, ceilings on windfalls might be evaded because an HMO conceivably could inflate charges to it by related organizations thereby maximizing profits through exaggerated benefit costs.

It may not always be possible to detect and eliminate such windfalls through actuarial adjustment. Further, once a valid base reimbursement rate is determined, an issue remains as to the extent to which the HMO, and the Government should share in any savings achieved by an HMO.

House Bill

The House bill authorizes Medicare to make a single combined Part A and B payment, prospectively on a capitation basis, to a "Health Maintenance Organization," which would agree to provide care to a group not more than one-half of whom are Medicare beneficiaries who freely choose this arrangement. Such payments may not exceed 95 percent of present Parts A and B per capita costs in a given geographic area.

The Secretary could make these arrangements with existing prepaid groups and foundations, and with any new organization which meets the broadly defined term "Health Maintenance Organization."

Finance Committee Changes

Agreeing with the desirability of authorizing reasonable per capita payments to organizations which have demonstrated a capacity to provide quality health care, and recognizing the above problems, the Committee authorized the following approach as a modification of the HMO provision in the house bill:

ELIGIBILITY FOR INCENTIVE REIMBURSEMENT

The Secretary would be authorized to contract on an incentive capitation basis for Medicare services with substantial, established HMO's: (1) with reasonable standards for quality of care at least equivalent to standards prevailing in the HMO's area, and which can be adequately monitored, and (2) which have sufficient operating history and sufficient enrollment to provide an adequate basis for evaluating their ability to provide appropriate health care services and for establishing a combined Part A-Part B capitation rate.

GENERAL REQUIREMENTS

Such reimbursement would be authorized for HMOs which: (1) have been in operation for at least two years, and (2) have a minimum of 25,000 enrollees, not more than one-half of whom are age 65 or over.

Exception

The Secretary would be authorized to make exceptions to the minimum enrollment requirement in the case of HMOs in smaller communities or sparsely populated areas which had demonstrated through at least 3 years of successful operation, capacity to provide health care services of proper quality on a prepaid basis and which have at least 5,000 members.

REIMBURSEMENT

The combined Part A-Part B per capita payment would be determined and administered as follows:

1. An eligible HMO approved by the Secretary for per capita reimbursement would submit, at least 90 days prior to the beginning of a prospective Medicare contract year, an operating costs and enrollment forecast. On the basis of the estimate and available information regarding Medicare costs in the HMO's area, the HMO and the Secretary would arrive at an interim per capita reimbursement rate. The rate would reflect estimated costs of the HMO for its enrolled population but might not exceed 100 percent of the estimated "adjusted average per capita cost" (as defined below).

2. At the beginning of the contract period, the HMO would be paid monthly, in advance, the interim per capita prepayment for the Medicare beneficiaries actually enrolled. The HMO would submit interim cost estimates on a quarterly basis and the interim payment could be adjusted as indicated in such estimates, subject however to the limitations set forth below.

3. The HMO would submit, annually, independently certified financial statements, including certified costs statements allocating HMO operating costs to the Medicare population in proportion to utilization of HMO resources. Allocations may use statistical, demographic and utilization data collection and analysis methods acceptable to the Secretary in lieu of fee-for-service or cost-per-service methods in the case of an HMO which does not operate on a fee-for-service basis. Such statements would be developed in accordance with Medicare accounting principles but not necessarily on the basis of actual case-by-case patient services. All HMO's would be subject to audit in accordance with the selective audit procedures of the Bureau of Health Insurance and would also be subject to audit and review by the Comptroller General (and the Inspector General for Health Care administration).

4. The Secretary would retroactively determine on an actuarial basis what the per capita costs for Part A and Part B services for the HMOs' Medicare population would have been if the population had been served through other health care arrangements in the same general area and not enrolled in the HMO. That is to say there would be a calculation, on the basis of experience in the same or similar geographical areas, of the cost for the non-HMO group of similar size, age distribution, sex, race, institutional status, disability status, cost experi-

ence for the Medicare contract year in question, and other factors deemed by the actuaries to be relevant and material such as unusual usage of low-cost hospitals and non-usage of specialists. This figure defined as "adjusted average per capita cost" would be determined as promptly as practical after the end of a contract period. Many of the difficulties and uncertainties of previously suggested methods of rate determination are minimized or eliminated by making this determination after the fact. For example, the makeup of the enrolled population and Medicare cost experiences—within and outside of the HMO—would be known, rather than merely estimated.

5. If the HMO's costs for the types of expenses reimbursable under medicare are less than the adjusted average per capita cost the difference, called "net savings" would be divided and allocated as follows:

> Savings between 90 percent and 100 percent would be divided equally between the Government and the HMO. Savings between 80 percent and 90 percent would be divided 75 percent to the Government and 25 percent to the HMO. Savings below the 80 percent level would be allocated entirely to the Government.

Thus, assuming an HMO operated at 80 percent of adjusted average per capita costs, it would receive a share equal to 7½ percent of the adjusted average per capita costs and the Government would retain 12½ percent of those costs.

6. At the option of the HMO, it could apply any amount of its share of the saving toward improved benefits, reduced supplemental premium rates, or other advantages for beneficiaries or retain the money. It could not, however, make cash refunds to beneficiaries.

7. If, on the other hand, HMO costs exceed adjusted average per capita costs, the "excess costs" would be allocated between the government and the HMO in the following manner:

> Any amount of excess between 100 percent and 110 percent would be divided equally between the Government and the HMO. Excess costs between 110 percent and 120 percent would be borne 25 percent by the HMO and 75 percent by the Government. Costs in excess of 120 percent would be borne entirely by the Government. Any losses incurred would carry forward and be recovered, proportionally, by the HMO and the Government in the future. Any losses by the Government would have to be recovered in full before any "savings" could be paid to an HMO in future years.

Reductions in Care and Services Under Medicaid Program

(Section 231)

Problem

The Medicaid program has been a significant burden on State finances. In an effort to reduce financial pressure upon States, Section 1902(d) of Title 19 provides that a State may reduce the range, duration or frequency of the services it provides under its Medicaid program, but it cannot reduce its aggregate expenditures for Medicaid from one year to the next. This maintenance of effort requirement has forced a few States to either cut back on other programs or to consider dropping Medicaid.

House Bill

The House bill provides for a continuance of the maintenance of effort clause with respect to the six mandatory health care services. The provision would, however, amend section 1902(d) by restricting the maintenance of effort requirement to those six basic services. The State would be able to modify the scope, extent and expenditures for optional services provided, such as drugs, dental care and eyeglasses.

Finance Committee Changes

The Committee substituted for the House provision an amendment repealing Section 1902(d)—entirely. This action is consistent with Committee and Senate action on H.R. 17550 in 1970.

Payments to States Under Medicaid for Installation and Operation of Claims Processing and Information Retrieval Systems

(Section 235)

Problem

Many States do not have effective claims administration or properly designed information storage and retrieval systems for their Medicaid programs and do not possess the financial and technical resources to develop them. Their recourse today is to contract with private companies for their data processing.

House Bill

1. Authorizes 90 percent Federal matching payments toward the cost of designing, developing and installing mechanized claims processing and information retrieval systems deemed necessary by the Secretary. The Federal government would assist States with technical advice and development of model systems. Federal matching at 75 percent would be provided toward the costs of operating such systems.

2. Authorizes 90% matching for 2 years (up to a total of $150,000 annually) for the development of cost determination systems for State-owned general hospitals.

Finance Committee Changes

The Committee deleted the first part of the House provision retaining, however, the part authorizing funds for cost-determination systems.

Provider Reimbursement Review Board

(Section 243)

Problem

Under present law, there is no specific provision for an appeal by a provider of services of a fiscal intermediary's final reasonable cost determination, although administrative procedures exist to assist providers and intermediaries to reach reasonable settlement on disputed items.

House Bill

The House bill establishes a Provider Reimbursement Review Board to consider disputes between a provider and intermediary where the amount at issue is $10,000 or more and where the provider has filed a timely cost report. Decisions of the Review Board would be final

unless the Secretary reversed the Board's decision within 60 days. If such a reversal occurs the provider would have the right to obtain judicial review.

The House provision is similar to a Senate amendment to H.R. 17550 in 1970. The House did not include those portions of the earlier Senate amendment which would allow providers, as a group, to appeal aggregate amounts of $10,000 on a common issue; and which would allow appeals to the Board by a provider where the intermediary fails to make timely final costs determinations.

Finance Committee Changes

The Committee substituted the 1970 Senate language and added language requiring the Secretary to report to the legislative committees at the end of the first year of operation of the provision concerning its capacity to function effectively and equitably as well as any suggestions he might have for improvement of the process.

Physical Therapy Services and Other Services Under Medicare

(Section 251)

Problem

Physical therapy is presently covered as an inpatient service, and as an outpatient service when furnished through a participating facility or home health agency. Services cannot be provided in a therapist's office.

An additional problem relating to physical therapy is that a patient can exhaust his inpatient benefits and continue to receive payment for treatment *only* if the facility can arrange with another facility to furnish the therapy as an outpatient service. For example, a hospitalized patient would receive necessary physical therapy as a Part A benefit during his 90 days of coverage. But, if his hospital stay exceeded 90 days, he would be required to secure such services under Part B from a Home Health Agency—even though the hospital, itself, was capable of providing the needed therapy conveniently.

Another problem is the rapidly increasing cost of physical therapy services and findings of abuse of the benefit.

House Bill

The House bill would include as covered services under Part B, physical therapy provided in the therapist's office under such licensing as the Secretary may require and pursuant to a physician's written plan of treatment.

It would also authorize a hospital or extended care facility to provide outpatient physical therapy services to its inpatients, so that an inpatient could conveniently receive his Part B benefits after his inpatient benefits have expired.

Finally, it would control physical therapy costs by limiting total payments in one year for services by an independent practitioner in his office or the patient's home to $100, and by limiting reimbursement for services provided by physical and other therapists in an institutional setting to a reasonable salary-related basis rather than fee-for-service basis.

Finance Committee Changes

The Committee modified the House provision by adopting language to assure that factors, such as travel time, be included in the calculation of salary-related reimbursement and deleting the provision that would have established a new and separate benefit of up to $100 annually for services provided by an independent physical therapist in his office or in a patient's home.

Additionally, the Committee will include in its Report instructions to the Secretary designed to assure that reasonable arrangements may be undertaken in rural and smaller population centers to enhance availability of physical therapy in those areas.

Waiver of Registered Nurse in Rural Skilled Nursing Facility (Section 267)

Problem

There are some rural nursing homes which can obtain a registered nurse to work one shift 5 days a week, but which are unable to obtain the services of an additional registered nurse to work on the other 2 days, generally the weekend.

House Bill

The House bill would allow a complete waiver of the requirement for a registered nurse in a rural nursing home, if there is no other skilled nursing home in the area to meet patient needs. Under the bill a skilled nursing home could function without any skilled nurse at all.

Finance Committee Changes

The Committee modified the provision granting waivers for certain rural skilled nursing facilities which are unable to assure the presence of a full-time registered nurse in such facilities 7 days a week. The Committee modification would allow a rural skilled nursing home, which has one full-time registered nurse and is making good faith efforts to obtain another, a special waiver of the nursing requirement with respect to not more than two shifts, such as over a weekend. This special waiver would be authorized if the facility had only patients whose physicians indicated that each such patient could be without a registered nurse's services for a 48-hour period. If the facility had any patients for whom physicians had indicated a need for daily skilled nursing services, the facility would have to make arrangements for a registered nurse or a physician to spend such time as was necessary at the facility on the uncovered day to provide the skilled services needed.

Coverage of Chiropractic Services

Problem

Chiropractors are not currently eligible to participate as physicians in the Medicare program.

House Bill

The House Bill calls for a study regarding the coverage of chiropractors.

Finance Committee Changes

The Committee on Finance deleted the study of chiropractic services called for in the House bill and substituted a provision providing for the coverage under Medicare of services involving treatment by means of manual manipulation of the spine by a licensed chiropractor who meets certain minimum standards established by the Secretary of Health, Education, and Welfare. The same limitations on chiropractic services applicable to Medicare would also pertain to States providing such care under Medicaid.

3. NEW PROVISIONS ADDED BY THE FINANCE COMMITTEE

Establishment of Professional Standards Review Organizations

Problem

There are substantial indications that a significant amount of health services paid for by Medicare and Medicaid are in excess of those which would be found to be medically necessary under appropriate professional standards. Furthermore, in some instances services provided are of unsatisfactory professional quality.

Finance Committee Amendment

The Committee provided for the establishment of Professional Standards Review Organizations sponsored by organizations representing substantial numbers of practicing physicians (usually 300 or more) in local areas to assume responsibility for comprehensive and ongoing review of services covered under the Medicare and Medicaid programs. The purpose of the amendment would be to assure proper utilization of care and services provided in Medicare and Medicaid utilizing a formal professional mechanism representing the broadest possible cross-section of practicing physicians in an area. Appropriate safeguards are included so as to adequately provide for protection of the public interest and to prevent pro forma assumption in carrying out of the important review activities in the two highly expensive programs. The amendment provides discretion for recognition of and use by the PSRO of effective utilization review committees in hospitals and medical organizations.

Coverage of Drugs Under Medicare

Problem

The costs of outpatient prescription drugs represent a major item of medical expense for many older people, especially for those suffering from chronic and serious illness conditions. The costs of such drugs are not presently covered under the Medicare program.

Finance Committee Amendment

The Committee amended Part A of Medicare to cover the costs of certain specified drugs, purchased on an outpatient basis, which are necessary in the treatment of the most common, crippling or life-threatening chronic disease conditions of the aged. Beneficiaries would pay $1 toward the cost of each prescribed drug included in the reasonable cost range for the drug involved.

The amendment would cover specific drugs used in the treatment of the following conditions: arthritis, cancer, chronic cardiovascular

disease, chronic kidney disease, chronic respiratory disease, diabetes, gout, glaucoma, high blood pressure, rheumatism, thyroid disease and tuberculosis. The amendment would limit reimbursement to certain drug used in the treatment of these conditions. For example, people with chronic heart disease often use digitalis drugs to strengthen their heartbeat, anticoagulant drugs to reduce the danger of blood clots and drugs to lower their blood pressure. These types of drugs would be covered under the amendment as they are necessary in the treatment of the heart condition and they are not types of drugs which would be used by people without heart conditions.

Other drugs which might be used by those with chronic heart conditions (such as sedatives, tranquilizers and vitamins) would not be covered as they are drugs which are generally less expensive, less critical in treatment and much more difficult to handle administratively, as many patients without chronic heart disease may also utilize these types of medications.

The major provisions of the amendment are:

Eligibility.—Medicare beneficiaries with one or more of the following conditions:

Diabetes.
High blood pressure.
Chronic cardiovascular disease.
Chronic respiratory disease.
Chronic kidney disease.
Arthritis, gout and rheumatism.
Tuberculosis.
Glaucoma.
Thyroid disease.
Cancer.

Benefits.—Would include those drugs:

Necessary over a prolonged period of time for treatment of the above conditions;

Generally subject to use only by those with the above conditions.

This recommendation would exclude drugs not requiring a physician's prescription (except for insulin), drugs such as antibiotics which are generally used only for a short period of time, and drugs such as tranquilizers and sedatives which may be used by eligible beneficiaries but also by many other persons.

A list of the covered drug categories and illustrative drug entities follows:

THERAPEUTIC CATEGORY AND DRUG ENTITY

Adrenocorticoids (e.g., Cortisone, Dexamethasone, Hydrocortisone, Prednisone)
Anti-arrhythmics (e.g., Quinidine)
Anti-coagulants (e.g., Dicumarol)
Anti-hypertensives (e.g., Reserpine)
Anti-neoplastics (e.g., Cyclophosphamide, Flourouracil, Mercaptopurine, Methotrexate, Vincristine)
Anti-rheumatics (e.g., Phenylbutazone)
Bronchial dialators (e.g., Isoproterenol)
Cardiotonics (e.g., Digitoxin, Digoxin)

Coronary vasodilators (e.g., Nitroglycerin)
Diuretics (e.g., Hydrochlorothiazide)
Gout suppressants (e.g., Colchicine)
Hypoglycemics (e.g., Insulin)
Miotics (e.g., Philocarpine)
Thyroid hormones (e.g., Thyroid)
Tuberculostatics (e.g., Aminosalicylate, Isoniazid)

Reimbursement and Cost Controls.—The amendment would utilize a reasonable charge reimbursement method, and would incorporate a formulary approach. The formulary established could include only drug entities in categories specified above. Participating pharmacies would file either their usual and customary markups or professional fee schedules as of June 1, 1972, which would then be applied to the estimated acquisition cost of the drug product. The usual and customary charge, including mark-up or professional fee, for purposes of program payments and allowances, could not exceed the 75th percentile of charges by comparable vendors in an area for similar quantities of the dosage form of the drug. Outpatient drugs dispensed by a participating hospital or extended care facility would be reimbursed on the regular Part A Medicare costs basis. Increases in prevailing mark-ups or fees would be limited in a fashion essentially parallel to that applicable to physicians' fees.

Financing.—Part A Medicare payroll tax.

Cost.—$700 million with a $1 co-payment per prescription. There would be an offsetting reduction in Federal-State Medicaid costs of $100 million as a result of this Medicare drug coverage.

Inspector General for Medicare and Medicaid

Problem

There is, at present, no independent reviewing mechanism charged with specific responsibility for ongoing and continuing review of Medicare and Medicaid in terms of the efficiency and effectiveness of program operations and compliance with Congressional intent. While HEW's Audit Agency and the General Accounting Office have done helpful work, there is a need for day-to-day monitoring conducted at a level which can promptly call the attention of the Secretary and the Congress to important problems and which has authority to remedy some of those problems in timely, effective and responsible fashion.

Finance Committee Amendment

Under the amendment, an Office of Inspector General for Health Administration would be established within the Department of Health Education, and Welfare. The Inspector General would be appointed by the President, would report to the Secretary, and would be responsible for reviewing and auditing the Social Security health programs on a continuing and comprehensive basis to determine their efficiency, economy, and consonance with the Statute and Congressional intent.

The Inspector General would be authorized to issue an order of suspension of a formal regulation, practice, or procedure which he found inconsistent with the law or legislative intent. Generally speak-

ing, such suspension would become effective not less than 30 days after issuance unless specifically countermanded by the Secretary of HEW. Upon issuance of an order of suspension the Inspector General would be required to immediately advise the committees on Finance and Ways and Means as to the findings and basis for the order. If the Secretary countermands, he too would be required to immediately advise the legislative committees as to the reasons for his action. Thus, a serious issue involving a question concerning Congressional intent would be placed before the committees having jurisdiction in orderly and delineated fashion.

Medicaid Coverage of Mentally Ill Children

Problem

Present law limits reimbursement under Medicaid for care of the mentally ill to those otherwise eligible individuals who are 65 years of age or older.

Finance Committee Amendment

The Committee bill would authorize coverage of inpatient care in mental institutions for Medicaid eligibles under age 21, provided that the care consists of a program of active treatment, that it is provided in an accredited medical institution, and that the State maintains its own level of fiscal expenditures for care of the mentally ill under 21.

The amendment also provided for demonstration projects of the potential benefits of extending Medicaid mental hospital coverage to mentally ill persons between the ages of 21 and 65.

Public Disclosure of Information Regarding Deficiencies

Problem

Physicians and the public are currently unaware as to which hospitals, extended care facilities, skilled nursing home and intermediate care facilities have deficiencies and which facilities fully meet the statutory and regulatory requirements. This operates to discourage the direction of physician, patient, and public concern toward deficient facilities, which might encourage them to upgrade the quality of care they provide to proper levels.

Finance Committee Amendment

The Committee added to the House bill a provision under which the Secretary of Health, Education and Welfare would be required to make reports of an institution's significant deficiencies or the absence thereof (such as deficiencies in the areas of staffing, fire safety, and sanitation) a matter of public record readily and generally available at social security district offices. Following completion of a survey of a health care facility or organization, those portions of the survey relating to statutory requirements as well as those additional significant survey aspects required by regulation relating to the capacity of the facility to provide proper care in a safe setting would be matters of public record. In the case of Medicare, such information would be available for inspection within 90 days of completion of the survey upon request in Social Security District Offices, and, in the case of Medicaid, the information would be available in local Welfare offices.

Extended Care Facilities—Skilled Nursing Facilities

Problem

Serious problems have arisen with respect to the skilled nursing home benefit under medicaid and the extended care benefit under medicare.

In the case of medicare, the definition of eligibility has been extremely difficult to apply objectively and, consequently, has led to great dissatisfaction on the part of patients, providers and practitioners, resulting in many facilities' refusal to participate in medicare and widespread retroactive denial of benefits.

Medicaid has its own set of problems with respect to skilled nursing home care. These include, according to the General Accounting Office and the HEW Audit Agency, widespread inappropriate placement of patients in skilled nursing homes who more properly belong in other institutional settings—such as intermediate care facilities—and widespread noncompliance with required standards. It appears difficult to insist that a skilled nursing facility meet all necessary standards without, at the same time, assuring that reimbursement is equitable for necessary care in the proper setting. In general, that is not the case today. The Comptroller General and others have reported on the often irrational payment mechanisms developed and utilized by many States in reimbursing for nursing home care. On an aggregate basis, it appears that nursing homes are not underpaid. However, because of the arbitrary payment structures in many States, in all probability, many facilities are being overpaid for the care they provide while others are being underpaid.

Finance Committee Amendments

a. *Conforming Standards for Extended Care and Skilled Nursing Home Facilities.*—The Committee bill would establish a single definition and set of standards for extended care facilities under Medicare and skilled nursing homes under Medicaid. The provision creates a single category of "skilled nursing facilities" which would be eligible to participate in both health care programs. A "skilled nursing facility" would be defined as an institution meeting the present definition of an extended care facility and which also satisfies certain other Medicaid requirements set forth in the Social Security Act. These changes are intended to reduce duplicative activity and red-tape.

b. "*Level of Care*" *Requirements for Extended Care.*—To make the Medicare extended-care benefit more equitable and suitable to the post-hospital needs of older citizens, as well as to avoid the problem of retroactive denials of coverage which have plagued Medicare patients and facilities, the Committee bill would change the level of care requirements with respect to entitlement for extended care benefits under Medicare. Present law would be amended to authorize skilled care benefits for individuals in need of "skilled nursing care and/or skilled rehabilitation services on a daily basis in a skilled nursing facility which it is practical to provide only on an inpatient basis." Medicare coverage would also continue during short-term periods (e.g. a day or two) when no skilled services were actually provided but when discharge from a skilled facility for such brief period was neither desirable nor practical.

c. *14-Day Transfer Requirement for Extended Care Benefits.*—Under existing law, Medicare beneficiaries are entitled to extended care benefits only if they are transferred to an extended care facility within 14 days following discharge from a hospital. The Committee modified this with respect to certain patients. An interval of more than 14 days would be authorized for patients whose conditions did not permit immediate provision of skilled services within the 14-day limitation (e.g., patients with fractured hips whose fractures have not mended to the point where physical therapy and restorative nursing can be utilized). An extension not to exceed 2 weeks beyond the 14 days would also be authorized in those instances where an admission to an ECF is prevented because of the non-availability of appropriate bed space in facilities ordinarily utilized by patients in a geographic area.

d. *Reimbursement Rates for Care in Skilled Nursing Facilities.*—The Committee added a provision amending Title 19 to require States, by July 1, 1974, to reimburse skilled nursing and intermediate care facilities on a reasonable cost-related basis, using acceptable cost-finding techniques and methods approved and validated by the Secretary of HEW. Cost reimbursement methods which the Secretary found to be acceptable for a State's Medicaid program would be adapted, with appropriate adjustments, for purposes of Medicare skilled nursing facility reimbursement in that State.

e. *Skilled Nursing Facility Certification Procedures.*—The Committee also added a provision under which the Secretary of HEW would decide whether a facility qualifies to participate as a "skilled nursing facility" in both the Medicare and Medicaid programs. The Secretary would make that determination, based principally upon the appropriate State health agency evaluation of the facilities. A State could, for good cause, decline to accept as a participant in the Medicaid program a facility certified by the Secretary but could not overrule the Secretary and receive Federal Medicaid matching funds for any institution not approved by the Secretary. The Committee also incorporated into the amendment proposals of the President regarding full Federal financing of skilled nursing facility and intermediate care facility survey and inspection costs attributable to the Medicare and Medicaid program and the training of additional Federal and State nursing facility inspection personnel.

Authority for Demonstration Projects Concerning the Most Suitable Types of Care for Beneficiaries Ready for Discharge From a Hospital or Skilled Facility

Problem

It is not unusual for a previously hospitalized medicare beneficiary to need services other than those covered under the program. A beneficiary who is discharged from a hospital may need further institutional care for a condition for which he was hospitalized, but the care required is not skilled care.

Finance Committee Amendment

The Committee authorized the Secretary of HEW to experiment with methods for determining suitable levels of care for Medicare patients who are ready for discharge from hospitals and skilled nursing facilities and no longer require skilled care, including some

terminally-ill patients but who are unable to maintain themselves at home without some sort of additional assistance. The experiments and demonstration projects could include (1) making Medicare payment for each day of care provided in an intermediate care facility, count as one covered day of skilled nursing facility care, if the care was for the condition for which the person was hospitalized, (2) covering the services of homemakers, where institutional services are not needed. Such experiments would be aimed at determining whether such coverage could effectively lower long-range costs by postponing or precluding the need for higher cost institutional care or by shortening the period of such care, and ascertaining what eligibility rules may be appropriate and the resultant costs of application of various eligibility requirements, if the project suggests that extension of such coverage generally, would be desirable.

Physicians' Assistants

Problem

Over the past few years, a number of programs have been developed to train physicians' assistants. These assistants are seen as a way to extend the physician's productivity and to bring care to many who would otherwise not receive it. HEW is currently supporting the training of these physicians' assistants. There are some 100 experimental training programs for physician assistants and nurse practitioners. Each of these, however, is structured differently, reflecting the lack of agreement among professionals on the experience and education that should be required of training program applicants, the content of the programs, or the responsibilities and supervision that are appropriate for their graduates. These unresolved issues have prompted the American Medical Association, the American Hospital Association, the American Public Health Association, as well as the Department (in its "Report on Licensure and Related Health Personnel Credentialing") and other organizations to ask for a moratorium on State licensure of the new categories of health personnel.

Some feel that it is inconsistent for HEW to support the training of these personnel, while Medicare does not, in some instances, recognize all their services as reimbursable items.

Under present law, part B of Medicare pays for physicians' services. Within the scope of paying for physicians' services, the program pays for services commonly rendered in a physician's office by para-medical personnel. For example, if a nurse administers an injection in the office, Medicare will recognize a small charge by the physician for that service.

Medicare will not pay where a physician submits a charge for a professional service, performed by a para-medical person, in cases where the service is traditionally performed by a physician. For example, the program would not recognize a charge for a complete physical exam conducted by a nurse.

Additionally, Medicare will not recognize a physician's charge for a service performed by a para-medical person outside of the physician's office. In other words, he would not be reimbursed for an injection administered by a para-medical employee in a nursing home. Others argue that Medicare does reimburse physicians for services

provided by these new physicians' assistants, so long as they are services commonly provided by para-professional personnel in a physician's office. They go on to argue that, until the training and licensure of physicians' assistants becomes more uniform, it would be inappropriate for Medicare to take the lead in encouraging doctors—by generous reimbursement to use physicians' assistants to work independently or to expand their responsibilities.

Finance Committee Amendment

The committee authorized demonstration projects to determine the most appropriate and equitable methods of compensating for the services of physicians' assistants (including nurse practitioners). The objectives are development of non-inflationary and less-costly alternatives which do not impede the continuing efforts to expand the supply of qualified physicians' assistants.

The Role of the Joint Commission on the Accreditation of Hospitals in Medicare

Problem

Several problems have arisen with respect to the JCAH role in the Medicare certification process. Present law specifies that an institution may be deemed to meet the certification requirements of Medicare if it is accredited as a hospital by the Joint Commission on Accreditation of Hospitals.

In addition, under the definition of a hospital, the section states that an institution must meet such requirements as the Secretary finds necessary in the interests of health and safety, except that such other requirements may not be higher than the comparable requirements prescribed for the accreditation of hospitals by the Joint Commission on the Accreditation of Hospitals. Another section of the law does allow an individual State to set higher standards.

The JCAH survey process is not subject to Federal review, and all JCAH survey reports are confidential, available only to the Commission and the facility concerned. Consequently, the Federal agencies responsible to the Congress for the administration of Medicare, are not in a position to audit the validity of the overall JCAH survey process and are thus unable to determine the extent to which specific deficiencies may exist in the vast majority of participating hospitals, since JCAH survey reports are not available to the Social Security Administration. A further problem arises because, under present law, Medicare is barred from setting any standards which are higher than comparable JCAH requirements. This has been interpreted by Social Security to also bar establishment of any standards in an area where JCAH has remained silent. Since the law does not refer to any specific JCAH standard, but rather to any standards prescribed by the JCAH, the law serves as an almost total and blanket delegation of authority over hospital standards to a private agency. Thus, if the Joint Commission chooses to lower a standard, Medicare is obliged to also accept that reduced standard. Though the Federal Government is tied to JCAH standards, a State may promulgate higher standards for facilities within the State.

Finance Committee Amendment

The Committee approved a provision under which the State certification agencies, as directed by the Secretary, would survey on a random sample basis (or where substantial allegations of noncompliance have been made) hospitals accredited by the Joint Commission on Accreditation of Hospitals. This would serve as a mechanism to validate the JCAH survey process. If deficiencies from the JCAH standards were found to exist in an institution, the Medicare standards and compliance procedures would be applied in that facility. To implement this authority, JCAH hospitals would, as a condition of participating in Medicare, agree, if included in a survey, to furnish the State agency or the Secretary on request with copies of the JCAH survey report on a confidential basis. The Joint Commission on Accreditation of Hospitals has indicated that it would cooperate fully with such validation surveys and the Secretary would be expected to consult with and cooperate with JCAH in these activities.

Under the provision the Secretary would be authorized to promulgate standards as necessary for health and safety after consultation with JCAH and with adequate lead-time without being bound to JCAH standards.

Maternal and Child Health

Problem

The intent of the 1967 Amendments was to divide available funds between formula grants to the States, and special project grants for a few years, so that the Federal Government could fund innovative special project grants which the States might not be able to support out of their formula funds. The 1967 Amendments terminated special project grants as of fiscal year 1973 and converted all the project money to formula grants on the rationale that after a few years' time the States would recognize the value of and continue to support worthwhile project grants as part of an overall State program. Two problems have occurred in the interim. First the special project grant has been utilized primarily in urban ghetto areas, while the formula funds are weighted in favor of rural States. Therefore, a shift of funds from urban States with project grants to rural States without project grants would occur if the project grants were terminated. Additionally, many project grant directors feel that with the pressure on State finances, State health departments would be reluctant to use new formula funds to continue support for project grants however worthy they might be.

Finance Committee Amendment

The Committee added to H.R. 1 a provision which extends for two additional fiscal years (through June 30, 1974) the present special project grant authorization contained in Title V of the Social Security Act to support maternal and child health programs.

Coverage of Speech Pathologists and Clinical Psychologists Under Medicare

Problem

While speech pathology and clinical psychology services are at times useful to aged persons with certain disorders, such services are rela-

tively inaccessible to the aged due to the small percentage of speech pathologists who are employed by providers eligible to participate in the Medicare program. Part of the problem is the fact that the provider clinic or agency must be physician-directed.

Finance Committee Amendment

Coverage of the services of clinical psychologists and speech therapists on an outpatient basis is presently available under Medicare if the services of such personnel are rendered in a physician-directed clinic or outpatient department. The Committee included a provision removing the requirement that such care necessarily be rendered in a *physician-directed* clinic or outpatient department. However, the services would still have to be provided in an organized setting, and under a plan of care and treatment established by a physician who would retain overall responsibility for the patient's care. Additionally, with respect to psychological treatment, such costs would be included in and limited by the overall $250 annual limitation on reimbursement for outpatient treatment of mental illnesses.

Provide Secretary Greater Discretion in Selection of Intermediaries and Assignment of Providers to Them

Problem

A group or association of providers of services—hospitals, extended care facilities, and home health agencies—have the option of nominating an organization (including the Federal Government) to act as the "fiscal intermediary" between the providers and the Government. (No such nomination is available with respect to carriers in part B of Medicare.)

The Secretary is authorized to enter into an agreement with an organization or agency only if he finds that to do so would be consistent with effective and efficient administration of the program. The Secretary may terminate an agreement with an intermediary if he finds that it has failed to carry out the agreement or that continuation of the agreement is inconsistent with efficient administration of the program.

Problem

It would be helpful to strengthen administrative prerogatives in the assignment of new providers to intermediaries and the reassignment of existing providers. The Secretary should have the primary authority to determine to which intermediary providers may be reassigned when they wish to change intermediaries or where continued availability of a particular intermediary in a given locale is inefficient, ineffective, or otherwise not in the best program interest. That is, the Secretary should consider the wish of the provider, but be able to take a different course of action in the interest of effective program operation.

Finance Committee Amendment

The Finance Committee amended section 1816 so as to authorize the Secretary to assign and reassign providers to available intermediaries. He would take into account any preferences expressed by the providers, but would not be bound by their choice. The primary consideration for his assignment action would be the effective and efficient administration of the Medicare program.

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Disclosure of Information Concerning Medicare Agents and Providers

Problem

As part of its responsibility for administration of the Medicare program, the Social Security Administration regularly prepares formal evaluations of the performance of contractors—carriers and intermediaries—and State agencies, which assist SSA in program administration. In addition, SSA also prepares program validation review reports, which are intended to be used as management devices for informing intermediaries of findings and recommendations concerning selected providers of services and some of the aspects of their own Medicare operations.

These evaluations and reports are of significant help in reviewing either the overall administrative performance of an individual contractor or a particular aspect of its operation. Additionally, the summary evaluations comparing the performance of one contractor with that of another are very useful. However, these evaluations and reports are not available to the public in general.

The Finance Committee recognized the dichotomy which exists in this situation. On the one hand is the need for public awareness of the deficiencies of contractor performance with the accompanying pressures for improvement in administration that only such awareness can bring. On the other hand, there is the need to avoid premature public disclosure of this type of information and to provide contractors with sufficient opportunity to respond to the information in the reports before their publication to avoid release of erroneous findings, without rebuttal, which may prove damaging to their reputations.

Finance Committee Amendment

To meet this problem, the Committee amendment provides that the SSA regularly make public the following types of evaluations and reports: (1) individual contractor performance reviews and other formal evaluations of the performance of carriers, intermediaries, and State agencies, including the reports of follow-up reviews; (2) comparative evaluations of the performance of contractors—including comparisons of either overall performance or of any particular contractor operation; (3) program validation survey reports—with the names of individuals deleted.

The proposal would require public disclosure of future reports. Such reports would include only those which are official in nature and not include internal working documents such as informal memoranda, etc. Under the proposal, public disclosure of evaluations and reports would not be made until the contractor, State agency, or facility was given suitable opportunity for comments as to the accuracy of the findings and conclusions of the evaluation or report with such comments being made part of the report where the portions originally objected to have not been modified in line with the comment.

Disclosure of such evaluations and reports should not lessen the effort of SSA in its present information-gathering activities nor is the provision in any way to be interpreted as otherwise limiting disclosure of information required under the Freedom of Information Act.

Access to Subcontractors' Records

Problem

It has come to the Committee's attention that subcontractors under the Medicare program apparently can create subsidiary and related organizations and thereby avoid requirements in Medicare contracts calling for production of pertinent financial books, documents, papers and records of the subcontractor involving transactions related to the subcontract. Although the Medicare statute does not require production by a subcontractor of his cost and other financial records, the Secretary generally has obtained access under the terms of his prime contracts.

Finance Committee Amendment

Under the Committee bill, a requirement would be included under titles XVIII and XIX providing that the Secretary must include in any prime contract a provision that prime contractors which in the future arrange for performance of part of their services by subcontractors, would make available to the government, on a consolidated basis, cost and financial data for subcontractors and organizations related to the subcontractor which perform any part of the services where the aggregate subcontract cost is $25,000 or more.

Similarly, it would be required that subcontracts specify that the subcontractor, and organizations related to the subcontractor, which perform any part of the subcontract would produce pertinent financial books, documents, papers and records upon request by the Secretary, the Comptroller General, the Inspector General, and, in the case, of the Medicaid program, appropriate State officials.

Failure to comply with these requirements would be grounds for terminating an intermediary's or carrier's (the prime contractor) participation in the Medicare program.

Duration of Subcontracts

Problem

Under present law, Medicare intermediaries and carriers (the prime contractors) are generally contracted for under terms which permit the Secretary to cancel the contract at the end of each year. If he fails to give the necessary notice of cancellation, the contract is automatically renewed for another year.

Instances have come to light where some of these prime contractors have entered into subcontracts which extend beyond the time at which the Secretary could terminate the prime contract. This seems inconsistent with the concept of the annual contract renewal procedure.

Proposal

To deal with this situation, the Committee bill would specify in the statute that future subcontracts may not be entered into for periods longer than the remaining term of a prime contract unless such subcontracts are subject to the same contract renewal limitations applicable to the prime contract.

Waiver of Beneficiary Liability in Certain Situations Where Medicare Claims Are Disallowed

Problem

Under present law, whenever a Medicare claim is disallowed, the ultimate liability for the services rendered falls upon the beneficiary.

This is true even when the program has paid the claim and subsequently it is determined that the claim should be reopened and disallowed. The result is that in many cases a beneficiary is liable for payment even though he acted in good faith and did not know that the services he received were not covered, and even though the hospital, physician or other provider of services was at fault.

Finance Committee Amendment

Under the Committee bill, a beneficiary could be "held harmless" in certain situations where claims were disallowed but the beneficiary was without fault. In such situations the liability would shift either to the Government or to the provider—depending upon whether, for example, the provider utilized due care (i.e., acted reasonably) in applying Medicare policy in his dealings with the beneficiary and the Government. In the future, Professional Standards Review Organizations would be expected to give priority to determinations, either in advance or concurrent, designed to minimize the problem of retroactive denials.

Where the beneficiary was aware, or should have been aware, of the fact that the services were not covered, liability would remain with the beneficiary and the provider could either exercise his rights under State law to collect for the services furnished or appeal the determination through the Medicare appeals process.

Where neither the beneficiary nor the provider knew that noncovered services were involved, the Government would assume liability for payment as though a covered service had been furnished. (This situation would arise in many cases disallowed because the services were not medically necessary or did not meet the level of care requirements.) However, when Medicare made such a payment, it would make certain that the provider is put on notice that the type of service rendered was not covered with the result that in subsequent cases involving similar situations and further stays or treatments in the given case, he could not contend that he exercised due care. Thus, the Government's liability would be somewhat limited.

Where the provider did not exercise due care (that is, he knew or reasonably could be expected to know that such care was not covered), liability would shift to the provider, assuming that there was good faith on the beneficiary's part. The provider would be told that he could appeal the intermediary's decision, both as to coverage of the services and due care. If, on the other hand, he exercised his rights under State law and received reimbursement from the beneficiary, the Medicare program would indemnify the beneficiary (subject to deductibles and coinsurance) and would be required to seek to recover amounts so paid from the provider.

Family Planning

Problem

Though Federal law and policy permit and encourage States to extend services to low income families likely to become welfare recipients as well as families already on welfare, most States have not taken advantage of this opportunity.

The progress which has been made under the 1967 Amendments has not met the committee's expectations. The annual report by the Depart-

ment of Health, Education, and Welfare covering family planning services includes information which makes clear that the mandate of the Congress that *all* appropriate AFDC recipients be provided family planning services has not been fulfilled.

Finance Committee Amendment

The Committee amended the House bill to authorize 100 percent Federal funding for the costs of family planning services. The Committee amendment would also require States to make available on a voluntary and confidential basis such counseling, services, and supplies, directly and/or on a contract basis with family planning organizations throughout the State, to present, former or likely recipients who are of child-bearing age desiring such services. The amendment would also reduce the Federal share of AFDC funds by 2 percent, beginning in fiscal year 1974, if a State in the prior year fails to inform the adults in AFDC families and on workfare of the availability of family planning services and/or if the State fails to actually provide or arrange for such services for persons desiring to receive them.

Penalty for Failure To Provide Required Health Care Screening

Problem

Many States have failed to implement the statutory requirement—or have implemented it only partially—because of their contention that the screening of all children under age 21 is not possible given available financial and health care resources. Under HEW regulations States must now provide health care screening to children under age 6.

Finance Committee Amendment

Under the Committee amendment, States will be required to provide screening services to all eligible children between the ages of 7 and 21 by no later than July 1, 1973. The amendment also includes a provision that would reduce the Federal share of AFDC matching funds by 2 percent, beginning is fiscal year 1975, if a State (a) fails to inform the adults in AFDC families and on workfare of the availability of child health screening services; (b) fails to actually provide or arrange for such services; or (c) fails to arrange for or refer to appropriate corrective treatment children disclosed by such screening as suffering illness or impairment.

Outpatient Rehabilitation Coverage

Problem

Medicare presently provides a home health benefit under both Part A and Part B. Under Part A, a beneficiary may receive up to 100 home health visits in the year following discharge from a hospital or ECF. Part B covers up to 100 home health visits in a calendar year without a prior hospitalization requirement. To receive home health benefits under Part A or Part B, a patient must be homebound and require skilled nursing care on an intermittent basis or physical or speech therapy. Home health services must ordinarily be provided in the home; however, if use of equipment which cannot be taken to the home is involved, the services may be provided at an outpatient facility. Medicare also provides, under Part B, coverage of outpatient

hospital services, and of outpatient physical therapy services provided by certain organized rehabilitation agencies.

There is a relatively small but effective group of free-standing rehabilitation facilities which provide a range of rehabilitation services on an outpatient basis, including some services which would be covered under Medicare if they were provided by participating home health agencies or by hospital outpatient departments. Under present law, Medicare payment cannot be made when such services are provided by free-standing rehabilitation facilities.

Finance Committee Amendment

The amendment would consolidate the present Part B home health and outpatient physical therapy benefits. Coverage under the new benefit would be on two levels: homebound beneficiaries would be entitled to the full range of benefits, while beneficiaries who were not homebound would be entitled to rehabilitation benefits only. In order to qualify for rehabilitation services under the combined benefit, a beneficiary would have to have a need for physical or speech therapy. (That is, an individual who was not homebound could receive in the rehabilitation center covered clinical psychologists' services, medical social services or occupational therapy only if he also required physical or speech therapy.)

The new consolidated benefit would be subject to a coverage limit of 100 visits in a calendar year, as is the present Part B home health benefit. (There would be no change in the provisions of present law relating to Part A home health benefits or Part B outpatient hospital services.)

Home health agencies could provide the full range of benefits provided under the combined benefit. Qualified organizations (including providers of outpatient physical therapy services under present law and free-standing rehabilitation facilities) would be able to provide such rehabilitation services included in the combined benefit as the Secretary found they were qualified to provide. A rehabilitation center would not necessarily have to provide services to homebound patients in order to qualify.

Medicare Coverage for Spouses and Social Security Beneficiaries Under Age 65

Present Law

Under present law, persons aged 65 and over who are insured or are deemed to be insured for cash benefits under the social security or railroad retirement programs are entitled to hospital insurance (part A). Essentially all persons aged 65 and over are eligible to enroll for medical insurance (part B) without regard to insured status. The House bill includes a provision that would permit persons aged 65 and over who are not insured or deemed insured for cash benefits to enroll in part A, at a premium rate equal to the full cost of their hospital insurance protection ($31 a month through June 1973).

Problem

Many additional social security cash beneficiaries find it difficult to obtain adequate private health insurance at a rate which they can afford. This is particularly true if they are of an advanced age, say,

age 60–64. Frequently, these older beneficiaries—retired workers, widows, mothers, dependents, parents for example—have been dependent upon their own group coverage or that of a related worker who is now deceased for health insurance protection. It is a difficult task for such older persons to find comparable protection when they no longer are connected to the labor force.

Finance Committee Amendment

The provision makes Medicare protection available at cost to spouses aged 60–64 of Medicare beneficiaries and to other persons age 60–64 (such as a beneficiary who elects early retirement at age 62) entitled to benefits under the Social Security Act.

Alcoholism and Addiction

Problem

Under the House bill, alcoholics and addicts would be defined as disabled (applying the general social security definition of disability) for purposes of welfare eligibility. However, alcoholics and addicts would not receive cash assistance if treatment were available which they refused.

The Committee was concerned that this provision might result, in many cases, in alcoholics and addicts receiving cash payments without being involved—or only nominally involved—in treatment programs.

Finance Committee Amendment

The Committee approved an amendment establishing a program designed to encourage appropriate care and treatment of alcoholics and addicts. Below is a brief outline of the program:

Outline

Persons medically determined (as described below) to be alcoholics and addicts would not be eligible for welfare benefits under aid to the disabled.

Alcoholics and addicts who meet the income and resources test for welfare and who meet a definition of disability parallel to the social security definition—that is who are unable to engage in any substantial gainful activity by reason of a medically determinable addictive dependence on alcohol or drugs which has lasted or can be expected to last for a period of 12 months—would be eligible to receive help in an alcoholism or addiction treatment program which would be established under Title XV if the State wishes to institute such a program. Once enrolled in the treatment program, the alcoholic or addict would be referred to a local treatment organization or agency certified by the appropriate State agency designated under the Comprehensive Alcohol Abuse and Treatment Act of 1970 or the Drug Abuse and Treatment Act of 1972.

In a State which provides welfare payments under categories other than aid to the disabled to persons medically determined to be alcoholics or addicts (for example, an alcoholic mother or an addicted child on AFDC) the person must be referred for care and treatment to the appropriate agency as a condition of continued eligibility for Federal matching. Refusal of care and treatment by an

addict or alcoholic would result in termination of payments for that individual.

To assure maintenance of expenditure levels in the primary Federal programs directed toward treatment and rehabilitation of alcoholics and addicts and to avoid any shifting of the bulk of those expenditures to Title XV, the Committee required that:

(*a*) Title XV expenditures for care and treatment (including social services) not exceed amounts appropriated, allocated, and actually available in States for care and treatment of alcoholics and addicts.

(*b*) If a reduction in other Federal expenditures is made, either through reduction in appropriations or expenditure levels (including impounding of appropriated funds), then the Federal matching funds available under Title XV would be reduced proportionate to such decreases.

To be eligible for reimbursement under Title XV, the individual treatment program must be carried out under a professionally developed plan of rehabilitation designed to terminate dysfunctional dependency on alcohol or drugs and which must be renewed at three-month intervals. Additionally, the plan must include to the maximum extent feasible a program of work rehabilitation including participation in the new employment program established under the Committee bill.

If proper treatment or rehabilitation would be thwarted by the lack of maintenance funds for the enrolled alcoholic or addict, maintenance payments to the patient or protective payments could be made with Title XV funds. Maintenance payments may not exceed comparable welfare payments and the question of maintenance versus protective payments must be specifically reviewed at least every three months.

Matching under Title XV would be at the rates otherwise provided for the types of payments made. For example, medical care and treatment would be matched at Medicaid rates and cash payments would be matched at the rates applicable to the category under which the person would otherwise be aided.

FINANCING SOCIAL SECURITY BENEFITS

In considering how to finance the Committee bill, the actuarial assumptions on which the cost estimates are based were reviewed.

Up to this time, the costs of the social security cash benefits programs have been based on the assumption that over the long-run neither benefit nor wage levels will change. While this has not been considered to be a forecast of what will happen, it has been considered a valid measure of the relative long-range costs of various changes in the program, and it has long been used to determine what levels of social security taxes are needed to pay for the program. Because the nature of the assumptions runs counter to the rising wage trends that have actually occurred, most reevaluations of the actuarial cost estimates have shown that the tax schedules in the law at the time of the reevaluation were higher than needed to pay for the benefits in the law.

In view of this, an Advisory Council on Social Security in April 1971 submitted a report which recommended a revision in the long-range actuarial assumptions that have been used in determining the cost of the social security program and which are, therefore, the basis for the schedule of tax rates that is in the law. In essence, the Council's recommendation is that the actuarial projections should properly assume an increase in both wages and prices in future years.

In the past decade, the balance in the social security trust funds has generally equalled one year's worth of benefits. The Advisory Council has suggested that the trust fund balance remain equal to one year's benefit payments, but the Council felt the balance could safely be 75 percent of one year's benefit payments. The Committee bill incorporates a tax schedule calculated to maintain a trust fund balance at least equal to three-quarters of one year's worth of benefits.

The tax schedule based on this assumption is compared with the schedule in present law and in the House-passed bill in the following table.

TABLE 2.—SOCIAL SECURITY TAXES UNDER PRESENT LAW, HOUSE BILL, AND COMMITTEE BILL

	Maximum wages taxable	OASDI, percent	HI, percent	Total, percent
Employers and Employees				
Present law:				
1971	$7,800	4.6	0.6	5.2
1972	9,000	4.6	.6	5.2
1973–75	9,000	5.0	.65	5.65
1976–79	9,000	5.15	.7	5.85
1980–86	9,000	5.15	.8	5.95
1987 and after	9,000	5.15	.9	6.05

TABLE 2- SOCIAL SECURITY TAXES UNDER PRESENT LAW, HOUSE BILL, AND COMMITTEE BILL—Continued

	Maximum wages taxable	OASDI, percent	HI, percent	Total, percent
House bill (excluding effect of the automatic adjustment provisions):				
1971	7,800	4.6	.6	5.2
1972–74	10,200	4.2	1.2	5.4
1975–76	10,200	5.0	1.2	6.12
1977 and after	10,200	6.1	1.3	7.4
Committee bill (excluding effect of the automatic adjustment provisions):				
1972	9,000	4.6	0.6	5.2
1973–77	10,200	4.55	1.15	5.7
1978–80	10,200	4.65	1.35	6.00
1981–84	10,200	4.65	1.5	6.15
1985–93	10,200	4.65	1.6	6.25
1994–2010	10,200	4.65	1.7	6.35
2011 and after	10,200	5.7	1.7	7.4
Self-employed persons				
Present law:				
1971	7,800	6.9	.6	7.5
1972	9,000	6.9	.6	7.5
1973–75	9,000	7.0	.65	7.65
1976–79	9,000	7.0	.7	7.7
1980–86	9,000	7.0	.8	7.8
1987 and after	9,000	7.0	.9	7.9
House bill (excluding effect of the automatic adjustment provisions):				
1971	7,800	6.9	.6	7.5
1972–74	10,200	6.3	1.2	7.5
1975–76	10,200	7.0	1.2	8.2
1977 and after	10,200	7.0	1.3	8.3
Committee bill (excluding effect of the automatic adjustment provisions):				
1972	9,000	6.9	0.6	7.5
1973–77	10,200	6.8	1.15	7.95
1978–80	10,200	7.0	1.4	8.4
1981–84	10,200	7.0	1.5	8.5
1985–93	10,200	7.0	1.6	8.6
1994 and after	10,200	7.0	1.7	8.7

It should be noted that the tax base and the tax rates shown in this schedule for years after 1974 do not reflect any wage base or tax rate increases, provided for in the Committee bill, which may be needed to finance the automatic cost-of-living benefit increases in the bill. Under these provisions, the cost of the increases will be met by increasing both the tax rates and the tax base as necessary each time there is a cost-of-living increase in benefits.

Social Security Cash Benefits

The income and outgo of the social security cash benefit trust funds are shown on the following table.

TABLE 3.—SOCIAL SECURITY CASH BENEFIT PROGRESS OF TRUST FUNDS UNDER PRESENT LAW AND UNDER THE SYSTEM AS MODIFIED BY THE COMMITTEE BILL, CALENDAR YEARS 1972–77 [1]

(Dollars in billions)

Calendar year	Income		Outgo		Net increase in funds		Assets, end of year	
	Present law	Finance Committee bill	Present law	Finance Committee bill	Present law	Finance Committee bill	Present law	Finance Committee bill
1972	$46.2	$46.2	$41.0	$43.1	$5.2	$3.1	$45.6	$43.5
1973	53.7	51.0	43.0	49.5	10.7	1.5	56.3	45.0
1974	57.9	55.0	44.9	52.3	13.0	2.6	69.3	47.7
1975	61.5	60.0	46.9	57.4	41.6	2.6	83.9	50.3
1976	66.5	63.5	49.8	60.3	17.6	3.2	101.5	53.4
1977	70.3	68.5	51.1	66.2	19.2	2.3	120.7	55.7

[1] These estimates assume that the following changes will become effective on Jan. 1, of:

Year	Benefit (percent) increase	Contribution and benefit base	Annual exempt amount under retirement test
1975	5.8	$11,400	$2,280
1977	5.5	12.600	2.520

Hospital Insurance

The schedule of taxes adopted for hospital insurance is designed to provide sufficient income to pay for the present program (including projected deficits under current financing) for the costs of the provisions added by the Committee, and to provide a reasonable reserve. The schedule adopted will cause the trust fund to increase from $6.4 billion at the end of 1973 to $14.8 billion at the end of 1977. The income, outgo, and year-end balance of the fund for the period 1973–1977 are shown in the following table.

TABLE 4.—PROGRESS OF HOSPITAL INSURANCE TRUST FUND, 1973–77 [1]

[Dollars in billions]

Calendar year	Income	Outgo	Fund at end of year
1973	$12.6	$8.8	$6.4
1974	14.1	11.3	9.2
1975	15.4	12. 9	11.7
1976	16.4	14.6	13.5
1977	17.7	16.4	14.8

[1] Assumes that the tax base will increase to $11,400 in 1975 and to $12,600 in 1977.

The Welfare Programs

The original Social Security Act of 1935 established our Federal-State grant programs which today provide assistance to the aged, blind, and disabled, and to needy families with children. Unlike the federally administered social security program, the welfare titles of the Social Security Act do not set benefit levels nor describe in detail methods of administering the welfare programs; States establish their own assistance programs within the broad guidelines of the Federal law.

Within the past 5 years, however, the Federal-State relationships have undergone substantial change. Three factors have played an important role in the changing relationships.

1. The tremendous growth in the Aid to Families with Dependent Children rolls has created both a fiscal and administrative burden which many States find difficulty coping with.

2. A number of court decisions have had far reaching impact on all aspects of the welfare programs under the Social Security Act, sometimes using the very broadness of the Federal statute (intended to allow States more latitude) against the States by saying that what the Congress did not expressly permit it must not have intended to permit. This position was explicitly stated by the Supreme Court in *Townsend* v. *Swank* (opinion dated December 20, 1971), where it was said that "at least in the absence of congressional authorization for the exclusion clearly evidenced from the Social Security Act or its legislative history, a State eligibility standard that excludes persons eligible for assistance under federal AFDC standards violates the Social Security Act and is therefore invalid under the Supremacy Clause."

3. The Department of Health, Education, and Welfare has issued a series of regulations beginning in January 1969, whose effect has been to make it easier to get on welfare and harder to get off welfare, regulations which many States have vigorously, but unsuccessfully, opposed.

Under present law each State plays the central role in determining the nature of its welfare program, within the broad outline of Federal law. The Committee bill largely reiterates this aspect.

AID TO THE AGED, BLIND, AND DISABLED

Present Law

Three categories of adults are eligible for Federally supported assistance: persons 65 and over, the blind (without regard to age), and permanently and totally disabled persons 18 years of age and older. Each State establishes a minimum standard of living (needs standard) upon which assistance payments are based; any aged, blind or disabled person whose income is below the State needs standard will

be eligible for some assistance, although the State need not pay the full difference between the individual's income and the needs standard.

Generally speaking, all income and resources of an aged, blind or disabled person must be considered in determining the amount of the assistance payment (though a portion of earnings may be disregarded as a work incentive). States also place limitations on the real and personal property an aged, blind or disabled individual may retain without being disqualified for assistance.

Monthly State payments to an aged, blind or disabled individual with no other income range between $70 and $250 and for an aged couple between $97 and $350.

Committee Amendments

The Committee bill would continue State administration of the programs of aid to the aged, blind, and disabled (in contrast to the federalized administration called for by the House bill) but would set a Federal guanteed minimum income level for aged, blind, and disabled individuals as discussed below.

National Minimum Welfare Standards and Disregard of Social Security or Other Income

Under the Committee's bill, State public assistance programs for needy individuals who are aged, blind, and disabled would have to assure those with no other income a monthly assistance payment of at least $130 for an individual or $195 for a couple. In addition the Committee bill would provide that the first $50 of social security or other income would not cause any reduction in these minimum assistance payments.

As a result, aged, blind, and disabled welfare recipients who also have monthly income from social security or other sources (which are not need-related) of at least $50 would, under the Committee bill, be assured total monthly income of at least $180 for an individual or $245 for a couple.

At present, only seven States have old age assistance programs which will guarantee a monthly income of at least $180 for an individual receiving social security benefits (Alaska, Idaho, Illinois, Massachusetts, Nebraska, South Dakota, and Washington). These States would, of course, be free to continue providing assistance at levels higher than the minimum standards required by the Committee action.

The cost to the States of providing additional assistance would be less under the Committee bill than under the House-passed version of H.R. 1; State savings are discussed under the heading "Fiscal Relief for States."

Earned Income Disregard

In addition to providing for a monthly disregard of $50 of social security or other income, the Committee approved an additional disregard for aged, blind or disabled recipients of $50 of earned income plus one-half of any earnings above $50. This will enable those recipients who are able to do some work to do so without suffering a totally offsetting reduction in their assistance grants.

Other Income Disregards

The Committee provided that in determining an individual's income for purposes of adult assistance, any rebate of State or local taxes (such as real property or food taxes) received by an aged, blind or disabled recipient would not be counted as income or assets.

This disregard would apply to the first $130 of income guaranteed an adult recipient (the Federal share); States would be free to determine how they wish to treat such tax rebates with respect to the State's share of welfare payments (if any) to such recipients.

Eligibility for Other Benefits

Adopting a provision of the House bill, the Committee bill requires applicants for and recipients of aid to the age, blind, and disabled, as a condition of welfare eligibility, to apply for any other benefits they are eligible for (such as social security, unemployment insurance, workmen's compensation, etc.).

Definitions of Blindness and Disability

Under present law each State is free to prescribe its own definition of blindness and disability for purposes of eligibility for aid to the blind and aid to the permanently and totally disabled.

The Committee approved amendments setting a Federal definition for blindness and disability.

The term "disability" would be defined as "inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than 12 months." Under the disability insurance program, this definition is now found in section 223(d)(1) of the Social Security Act. The provisions of the disability insurance program further specify that this definition is met only if the disability is so severe that an individual "is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the immediate area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work." (Sec. 223(d)(2)(A)).

The term "blindness" would be defined as central visual acuity of 20/200 or less in the better eye with the use of correcting lens. (Sec. 216(i)(1)(B).) Also included in this definition is the particular sight limitation which is referred to as "tunnel vision."

However, States will be permitted to continue assistance to disabled or blind individuals who were already on the rolls under the existing State definition, but who would not meet the Federal definition of blindness or disability.

Age Limit for Aid to the Disabled

Present law requires that an individual be 18 years or older in order to be eligible for aid to the disabled; the House bill would have deleted

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this age requirement. The Committee bill retains the provision of existing law.

Medicaid Coverage

Under present law, the States are required to cover all cash assistance recipients under the Medicaid program. The Committee bill, like the House version, would exempt from this requirement newly eligible recipients who qualify because of the previously agreed provision of a $130 minimum benefit with a disregard of $50 of social security and other income.

Social Services

The Committee also approved an amendment, similar to a provision in the House bill, clarifying the types of social services for which Federal funding may be provided and setting a limitation on authorizations for appropriations for social services. This amendment is described in the section dealing with general welfare provisions, child welfare services, social services, and other provisions.

Prohibition of Liens in Aid to the Blind

The Committee bill prohibits the imposition of liens against the property of blind individuals as a condition of eligibility for aid to the blind.

Other Eligibility Requirements

The Committee decided that there would be no uniform Federal eligibility rules as in the House bill. The determination will be left to the States on such questions as assets, resources, relative responsibility and other eligibility factors except those specified above or in the section of this summary entitled "General Welfare Provisions, child welfare services, social services, and other provisions."

Administrative Costs

The Committee bill requiring minimum payment levels will make many individuals newly eligible for aid to the aged, blind, and disabled who are not now eligible, with a corresponding impact on State administrative costs. Under present law the Federal Government pays 50 percent of the cost of all administrative expenses.

The Committee decided that the Federal Government pay the States an amount equal to 100 percent of their calendar year 1972 administrative costs related to the aged, blind, and disabled, plus 50 percent of additional costs. The 1973 budget, relating to the period from July 1972 to June 1973, estimates an expenditure of $408 million for administration of aid to the aged, blind, and disabled; the State share of this amount is $204 million.

Statistical Material

TABLE 5.—RECIPIENTS OF AID TO THE AGED, BLIND, AND DISABLED, DECEMBER OF SELECTED YEARS

Year	Number of recipients	Percent increase since 1960
1940	2,143,000	
1945	2,128,000	
1950	2,952,000	
1955	2,883,000	
1960	2,781,000	
1961	2,721,000	−2
1962	2,710,000	−3
1963	2,713,000	−3
1964	2,725,000	−2
1965	2,729,000	−2
1966	2,745,000	−1
1967	2,802,000	+1
1968	2,810,000	+1
1969	2,959,000	+6
1970	3,098,000	+8
1971	3,172,000	+14
1972	3,341,000	+20
1973:		
Current law	3,500,000	+26
Committee bill	(not available)[1]	
1974:		
Current law	3,600,000	+29
Committee bill	(not available)[1]	

[1] The estimate of recipients of Aid to the Aged, Blind, and Disabled under the Committee bill will be included in the Committee report.

Source: Department of Health, Education, and Welfare.

Statistical Material

TABLE 6.—**OLD-AGE ASSISTANCE:** MONTHLY AMOUNT FOR BASIC NEEDS UNDER FULL STANDARD AND LARGEST AMOUNT PAID FOR BASIC NEEDS, BY STATE, NOVEMBER 1971

	Aged individual		Aged couple	
	Monthly amount for basic needs	Largest amount paid for basic needs	Monthly amount for basic needs	Largest amount paid for basic needs
Alabama	$146	$103	$242	$206
Alaska	250	250	350	350
Arizona	118	118	164	164
Arkansas	149	105	249	210
California	178	178	320	320
Colorado	140	140	280	280
Connecticut	176	176	224	224
Delaware	140	140	197	197
District of Columbia	150	113	206	155
Florida	114	114	210	210
Georgia	100	91	165	165
Guam	140	140	201	201
Hawaii	132	132	205	205
Idaho	182	182	219	219
Illinois	183	183	224	224
Indiana	185	80	247	160
Iowa	122	117	186	178
Kansas	141	110	190	147
Kentucky	96	96	160	160
Louisiana	147	100	235	188
Maine	115	115	198	198
Maryland	130	96	187	131
Massachusetts	189	189	280	280
Michigan	165	165	218	218
Minnesota	158	158	210	210
Mississippi	150	75	218	150
Missouri	181	85	257	170
Montana	120	111	192	175
Nebraska	182	182	235	235
Nevada	169	169	271	271

TABLE 6.—**OLD-AGE ASSISTANCE:** MONTHLY AMOUNT FOR BASIC NEEDS UNDER FULL STANDARD AND LARGEST AMOUNT PAID FOR BASIC NEEDS, BY STATE, NOVEMBER 1971—Continued

	Aged individual		Aged couple	
	Monthly amount for basic needs	Largest amount paid for basic needs	Monthly amount for basic needs	Largest amount paid for basic needs
New Hampshire	$173	$173	$238	$238
New Jersey	162	162	222	222
New Mexico	116	116	155	155
New York	159	159	219	219
North Carolina	115	115	150	150
North Dakota	125	125	190	190
Ohio	126	126	208	208
Oklahoma	130	130	212	212
Oregon	141	113	200	160
Pennsylvania	138	138	208	208
Puerto Rico	54	22	88	34
Rhode Island	163	163	211	211
South Carolina	87	80	121	121
South Dakota	180	180	220	220
Tennessee	102	97	142	142
Texas	119	119	192	192
Utah	106	106	142	142
Vermont	177	177	233	233
Virgin Islands	52	52	103	103
Virginia	152	152	199	199
Washington	192	192	247	247
West Virginia	146	76	186	97
Wisconsin	108	108	164	164
Wyoming	139	108	195	186

TABLE 7 —**AID TO THE BLIND AND AID TO THE PERMANENTLY AND TOTALLY DISABLED:** MONTHLY AMOUNT FOR BASIC NEEDS UNDER FULL STANDARD AND LARGEST AMOUNT PAID FOR BASIC NEEDS, BY STATE, NOVEMBER 1971

	Blind individual		Disabled individual	
	Monthly amount for basic needs	Largest amount paid for basic needs	Monthly amount for basic needs	Largest amount paid for basic needs
Alabama	$105	$75	$122	$71
Alaska	250	250	250	250
Arizona	118	118	118	118
Arkansas	149	105	149	105
California	192	192	172	172
Colorado	103	103	123	123
Connecticut	176	176	176	176
Delaware	189	150	117	117
District of Columbia	150	113	150	113
Florida	114	114	114	114
Georgia	100	91	100	91
Guam	140	140	140	140
Hawaii	132	132	132	132
Idaho	182	182	182	182
Illinois	183	183	183	183
Indiana	185	125	185	80
Iowa	161	156	122	117
Kansas	141	110	141	110
Kentucky	96	96	96	96
Louisiana	106	101	84	66
Maine	115	115	115	115
Maryland	130	96	130	96
Massachusetts	223	223	178	178
Michigan	165	165	165	165
Minnesota	158	158	158	158

TABLE 7.—**AID TO THE BLIND AND AID TO THE PERMANENTLY AND TOTALLY DISABLED:** MONTHLY AMOUNT FOR BASIC NEEDS UNDER FULL STANDARD AND LARGEST AMOUNT PAID FOR BASIC NEEDS, BY STATE, NOVEMBER 1971—Con.

	Blind individual		Disabled individual	
	Monthly amount for basic needs	Largest amount paid for basic needs	Monthly amount for basic needs	Largest amount paid for basic needs
Mississippi	$150	$75	$150	$75
Missouri	255	100	170	80
Montana	132	123	120	111
Nebraska	182	182	182	182
Nevada	155	155	(1)	(1)
New Hampshire	173	173	173	173
New Jersey	162	162	162	162
New Mexico	116	116	116	116
New York	159	159	159	159
North Carolina	126	126	115	115
North Dakota	125	125	125	125
Ohio	126	126	126	116
Oklahoma	130	130	130	130
Oregon	151	151	141	113
Pennsylvania	150	150	138	138
Puerto Rico	54	22	54	22
Rhode Island	163	163	163	163
South Carolina	104	95	87	*80
South Dakota	180	180	180	180
Tennessee	102	97	102	97
Texas	116	110	116	105
Utah	116	116	106	106
Vermont	177	177	177	177
Virgin Islands	51	52	52	52
Virginia	153	153	152	152
Washington	192	192	190	190
West Virginia	146	76	146	76
Wisconsin	108	108	108	108
Wyoming	139	108	127	108

[1] No program.

GUARANTEED JOB OPPORTUNITY FOR FAMILIES

The whole Nation has become increasingly concerned at the rapid growth of the welfare rolls in recent years, and with good reason.

By far the major factor in this growth has been the increase in the number of persons receiving Aid to Families with Dependent Children. From 5.3 million recipients at the end of 1967, the number of AFDC recipients doubled during the next four years. The soaring costs of this program have forced States to shift funds into welfare that would otherwise go for education, health, housing and other pressing social needs. There is universal agreement that something must be done, but there remains much confusion about the nature of the problem that must be solved. The Committee feels that a more expensive and expansive welfare program is *not* the answer.

The soaring welfare rolls reflect three developments.

First, they show that there are a large number of children in this country who are needy and whose parents in most cases are not working.

Second, they show an alarming increase in dependency on the taxpayer. The proportion of children in this country who are receiving AFDC has climbed sharply, from three percent in the mid-fifties to nine percent today. This means that an increasing number of families are becoming dependent on welfare and staying dependent on welfare.

Third, the growth in the AFDC rolls reflects increasing family breakup and increasing failure to form families in the first place. Births out of wedlock, particularly to teenage mothers, have increased sharply in the past decade. Two striking statistics highlight the problem: the number of families headed by women increased by 15 percent between 1970 and 1971, while the number of families with both father and mother present declined in absolute numbers during the same one-year period. Today, almost 8 million women and children receive welfare because of the "absence of the father from the home"—principally due to family breakup or failure of the father to marry the mother of his child.

Many persons who strongly advocate increasing welfare benefits have simply glossed over the problems of family breakup and the increase of births out of wedlock. Even more importantly, they have avoided discussing the problem of increasing dependency.

In an article that appeared in the *New York Magazine* in November, 1971, Nathan Glazer raises the fundamental question of what increasing dependency on welfare has done for recipients in New York City:

> Has it reduced starvation and given them more food? Has it improved their housing? Has it improved their environment? Has it improved their clothing? Has it heightened their self-respect and sense of power? Has it better and more effectively incorpo-

rated them into the economic and political life of the city? . . . Blanche Bernstein, director of research at the New School's Center for New York City Affairs, has estimated that 50 percent of the increase in welfare recipients in New York City during the 1960's was due to desertion and 25 percent was due to illegitimate births. She reports that in 1961 there were 12,000 deserted families on welfare in New York City. By 1968 there were 80,000. What happened in New York City was not an explosion in welfare alone. The city witnessed an explosion in desertion and in illegitimacy. . . .

Welfare, along with those who pressed its expansion, deprived the poor of New York of what was for them—as for the poor who preceded them—the best and indeed only way to the improvement of their condition, the way that involved commitment to work and the strengthening of family ties. In place of this, the advocates of revolution through welfare explosion propagated a false and demeaning sense of the "rights" of the poor, one which had disastrous consequences . . .

Relief is necessary to the poor. In any civilized society it must be given generously, and if needed, extensively. But it should be the aim of every society to find and encourage other means to the maintenance of a decent standard of living than the distribution of charity. For whatever the position of modern advocates of welfare rights, welfare can never, if given regularly on an extensive scale, be other than alms, and whatever alms did for the souls of those who gave them, they could not be good for the souls of those who received them. Every society—capitalist, socialist, or "welfare state"—tries to find ways to replace money relief and to make it unnecessary. To advocate its expansion as a means of dealing with distress is one thing; to advocate its expansion as a means of breaking the commitment to work with its attendant effects on self-respect and on family life is irresponsible.

The fundamental problem is raised somewhat differently in an article entitled "Welfare: the Best of Intentions, the Worst of Results" that appeared in the August, 1971, issue of *Atlantic Magazine*. The author, Irving Kristol, begins by quoting from the 19th century social commentator Alexis de Tocqueville:

There are two incentives to work: the need to live and the desire to improve the conditions of life. Experience has proven that the majority of men can be sufficiently motivated to work only by the first of these incentives. The second is only effective with a small minority. . . . A law which gives all the poor a right to public aid, whatever the origin of their poverty, weakens or destroys the first stimulant and leaves only the second intact.

At this point, we are bound to draw up short and take our leave of Tocqueville. Such gloomy conclusions, derived from a less than benign view of human nature, do not recommend themselves either to the twentieth-century political imagination or to the American political temperament. We do not like to think that our instincts of social compassion might have dismal consequences—not acci-

dentally but inexorably. We simply cannot believe that the universe is so constituted. We much prefer, if a choice has to be made, to have a good opinion of mankind and a poor opinion of our socio-economic system....

Somehow, the fact that more poor people are on welfare, receiving more generous payments, does not seem to have made this country a nicer place to live—not even for the poor on welfare, whose condition seems not noticeably better than when they were poor and off welfare. Something appears to have gone wrong: a liberal and compassionate social policy has bred all sorts of unanticipated and perverse consequences....

To raise such questions is to point to the fundamental problems of our welfare system, a vicious circle in which the best of intentions merge into the worse of results.

As Congress examines fundamental questions concerning the effect of dependency on welfare, it must also take note of developments in American society, such as the changing role of women in America and the increasing public demand for action to improve the quality of life in this country.

When the AFDC program was first established under the Social Security Act of 1935, American society generally viewed a mother's role as requiring her to stay at home to take care of her children; she would be considered derelict in her duties if she failed to do so. But values have changed, and today, one-third of all mothers with children under age six are members of the labor force, and *more than half* of the mothers with school-age children only are members of the labor force. Furthermore, in families where the father is not present, two-thirds of the mothers with children under age six are in the labor force. This number has been growing steadily in the past 20 years, and it may be expected to continue to grow.

At the same time, it is widely recognized today that many important tasks in our society remain undone, such as jobs necessary to improve our environment, improve the quality of life in our cities, improve the quality of education in our schools, improve the delivery of health services, and increase public safety in urban areas. The heads of welfare families are qualified to perform many of these tasks. Yet welfare pays persons not to work and penalizes them if they do work. Does it make sense to pay millions of persons not to work at a time when so many vital jobs go undone? Can this Nation continue to consider unemployable mothers of school-age children on welfare and pay them to remain unemployed when more than half of mothers with school-age children in the general population are already working?

It is the Committee's conclusion that paying an employable person a benefit based on need, the essence of the welfare approach, has not worked. It has not decreased dependency—it has increased it. It has not encouraged work—it has discouraged it. It has not added to the dignity in the lives of recipients, and it has aroused the indignation of the taxpayers who must pay for it.

As President Nixon has stated:

In the final analysis, we cannot talk our way out of poverty; we cannot legislate our way out of poverty; but this Nation can work

its way out of poverty. What America needs now is not more welfare, but more "workfare". . . . This would be the effect of the transformation of welfare into "workfare," a new work-rewarding program.

The Committee agrees that the only way to meet the economic needs of poor persons while at the same time decreasing rather than increasing their dependency is to reward work directly by increasing its value. The Committee bill seeks to put the President's words into practice by:

(1) Guaranteeing employable family heads a job opportunity rather than a welfare income; and by

(2) Increasing the value of work by relating benefits directly to work effort.

In meeting these objectives the Committee bill will substantially increase Federal expenditures to low-income working persons, but the increased funds that go to them—about $2.4 billion—will be paid in the form of wages and wage supplements, not in the form of welfare, since the payments will be related to work effort rather than to need. Under the welfare system, an employed person who cuts his or her working hours in half receives a much higher welfare payment; under the Committee bill, a person reducing his or her work effort by half would find the Federal benefits also reduced by half.

Description of Program

Under the guaranteed employment program recommended in the Committee bill, persons considered employable would not be eligible to receive their basic income from Aid to Families with Dependent Children but would be eligible on a voluntary basis to participiate in a wholly federally financed employment program. Thus, employable family heads would not be eligible for a guaranteed welfare income, but would be guaranteed an opportunity to work.

In the description of the guaranteed job program that follows, it is assumed that the Federal minimum wage will rise to at least $2.00 per hour.

The following table shows which families would continue to be eligible for welfare and those which would no longer be eligible to receive their basic income from welfare under the Committee bill:

Eligible for Welfare	*Not Eligible To Receive Basic Income from Welfare* [1]
1. Family headed by mother with child under age 6	1. Family headed by able-bodied father
2. Family headed by incapacitated father where mother is not in the home or is caring for father	2. Family headed by mother with no child under 6 (unless the mother is attending school full time)
3. Family headed by mother who is ill, incapacitated, or of advanced age	

Eligible for Welfare—Continued	*Not Eligible To Receive Basic Income from Welfare [1]—Continued*
4. Family headed by mother too remote from an employment program to be able to participate	
5. Family headed by mother attending school full time even if there is no child under 6	
6. Child living with neither parent, together with his caretaker relative(s) (though State may deny welfare if his mother is also receiving welfare)	

[1] These families would be eligible for State supplementation if the State payment level is over $2,400 a year for the family and if otherwise eligible under the State requirements.

An estimated 40 percent or 1.2 million of the 3 million families currently receiving Aid to Families with Dependent Children would have to obtain their basic source of income from employment once the Committee bill becomes effective.

All heads of families, whether eligible for welfare or not, as well as heads of families no longer eligible for welfare, could volunteer to participate in the new employment program.

The Committee bill provides three basic types of benefit to heads of families:

1. A guaranteed job opportunity with a newly established Work Administration paying $1.50 per hour for 32 hours and with maximum weekly earnings of $48.

2. A wage supplement for persons employed at less than $2.00 per hour (but at least at $1.50 per hour) equal to three quarters of the difference between the actual wage paid and $2.00 per hour.

3. A work bonus equal to 10 percent of wages covered under social security up to a maximum bonus of $400 with reductions in the bonus as the husband's and wife's covered wages rise above $4,000.

Work Incentives Under the Program

The program would guarantee each family head an opportunity to earn $2,400 a year, the same amount as the basic guarantee under the House bill for a family of four. It also strengthens work incentives rather than undermine them, as shown in the table below.

In table 8, the three types of employment are compared under the guaranteed employment program.

The table also shows what happens to total family income under the proposal if the father works 40 hours a week (32 hours in the case of Government employment), 20 hours a week, or no hours a week.

The sources of income shown are: (a) wages paid by the employer, (b) wages paid by the Government, either as employer or in the form of a wage supplement to the employee (for those in jobs paying less

than $2.00 per hour), and (c) the work bonus equal to 10 percent of wages covered under social security.

The table shows these major points about the Committee plan:

(1) Since the participant is paid for working, his wages do not vary with family size. Thus a family with one child would have no economic incentive to have another child. This feature also preserves the principle of equal pay for equal work.

(2) As the employee's rate of pay increases, his total income increases.

(3) As the employee's income rises due to higher pay in a regular job, the cost to the Government decreases. $1.50-per-hour employment by the Government costs the taxpayer $48 for a 32-hour week; working 40 hours for a private employer at the same $1.50 hourly rate gives the employee a $33 boost in income while cutting the cost to the Government by $27. Moving to an unsubsidized job at $2.00 per hour increases the employee's income another $7 while saving the Government about $13 more.

(4) The less the employee works, the less he gets. No matter what the type of employment, the employee who works half-time gets half of what he would get if he works full time; he gets no Federal benefit if he fails to work at all.

(5) The value of working is increased rather than decreased. Working 32 hours for the Government is worth $1.50 per hour; when a private employer pays $1.50, the value of working to the employee is $2.02 per hour; and working at $2.00 per hour is worth $2.20 per hour to the employee. This will assure that any participant in private employment will receive more than $2.00 an hour. Under the House bill, by way of contrast, the value of working is decreased rather than increased, since the family would be eligible for welfare benefits if the family head does nothing.

Wage paid by employer	Actual value of 40 hours of employment under— House Bill (cents)	Committee bill
$1.50	73	$2.02
$2.00	[1] 90	2.20

[1] $1.23 for a family of 2; $1.04 for a family of 3.

(6) Earnings from other employment do not decrease the wages received for hours worked. Thus an individual able to work in private employment part of the time increases his income and saves the Government money. Virtually no policing mechanism is necessary to check up on his income from work.

TABLE 8.—WORK INCENTIVES UNDER THE COMMITTEE BILL

	Employed by—		
	Government at $1.50 per hour	Private employer at $1.50 per hour	Private employer at $2.00 per hour
40 hours worked (32 hours if Government employment):			
Wages paid by—			
Employer		$60.00	$80.00
Government	$48.00	15.00	.....
Special 10-percent payment		6.00	8.00
Total Government payment	48.00	21.00	8.00
Total income	48.00	81.00	88.00
20 hours worked: (16 hours if Government employment):			
Wages paid by—			
Employer		30.00	40.00
Government	24.00	7.50	.....
Special 10-percent payment		3.00	4.00
Total Government payment	24.00	10.50	4.00
Total income	24.00	40.50	44.00
No hours worked	0	0	0
Hourly value of working	**1.50**	**2.02**	**2.20**

Work Disincentives Under Present Law and Administration Proposal

By way of contrast, under present law a mother who is eligible for welfare is guaranteed a certain monthly income (at a level set by the State) if she has no other source of income; if she begins to work, her welfare payment is reduced. Specifically, in addition to an allowance for work expenses, her welfare payment is reduced $2 for each $3 earned in excess of $30 a month. Generally, then, for each dollar earned and reported to the welfare agency, the family's income is increased by 33 cents.

The House bill uses the same basic approach as present law but substitutes a flat $60 exemption plus one-third of additional earnings for the present $30 plus work expenses plus one-third of additional earnings. The disincentive effects of this are clearly illustrated in

the following examples of the effect of the House bill on the head of a family of 4 as shown in table 9:

(1) The less the individual works, the more the Government pays. For example, an individual working at $2.00 per hour for 20 hours receives $26.60 more in welfare than an individual working 40 hours a week at that wage; if he does not work at all, his government benefit goes up by $44.10.

(2) An individual cutting back on his work effort decreases his income by a relatively smaller amount, or, said another way, the value of work is substantially lower under the House bill than under the Committee bill. The total income of an individual working at $2.00 per hour for 20 hours under the House bill is only about $13 less than his total income if he works full time at that wage. An individual who works not at all receives only $36 less than the $82 received by an individual working 40 hours at $2.00 an hour.

(3) The value of working is decreased rather than increased. Since the family is eligible for $46.20 in welfare for doing nothing, the $29.20 in additional family income for 40 hours of work at $1.50 per hour amounts to a value of only 73¢ an hour for working Working 40 hours a week at $2.00 per hour is worth only 90¢ per hour to the employee.

(4) Earnings from any employment (as well as child support payments), if reported, reduce the benefits received by the family.

TABLE 9.—WORK DISINCENTIVES UNDER THE HOUSE BILL: INCOME FOR **FAMILY OF 4**

	Employed by—	
	Private employer at $1.50 per hour	Private employer at $2.00 per hour
40 hours worked:		
Wages	$60.00	$80.00
Welfare	15.40	2.10
Total income	75.40	82.10
20 hours worked:		
Wages	30.00	40.00
Welfare	35.40	28.70
Total income	65.40	68.70
No hours worked:		
Wages	0	0
Welfare	46.20	46.20
Total income	46.20	46.20
Hourly value of working 40 hours	**.73**	**.90**

Eligibility to Participate

Except as noted below, eligibility to participate in the employment program would be open to all family heads who are U.S. citizens or aliens lawfully admitted for permanent residence with a child under age 18 (or under age 22 and attending school full time). Participation would be purely voluntary. Mothers with children under age 6 who were eligible for welfare would also be eligible to participate in the employment program if they so chose.

Participation in Work Program

Only one member of a family would be eligible to participate in the work program, the head of the household. This would be deemed to be the father unless he was dead, absent, or incapacitated, in which case it would be deemed to be the mother.

A head of a household would not be permitted to participate in the employment program as a $1.50-per-hour Government employee if he or she:

(1) is a substantially full time student;

(2) is a a striker, but this disqualification would *not* apply to any employee who is (1) not participating or directly interested in the labor dispute and (2) does not belong to a group of workers any of whom are participating in or financing or directly interested in the dispute. The disqualification also would not apply to employees of suppliers or other related businesses which are forced to shut down or lay-off work because of a labor dispute in which they are not directly involved. This disqualification, adapted from the unemployment insurance laws, is designed to prevent the government financing one side of a labor-management dispute.

(3) is receiving unemployment compensation;

(4) is a single person or is a member of a couple with no child under 18 (or under age 22 and attending school full time); or

(5) has left employment without good cause or been discharged for cause or malicious misconduct during the prior 60 days. The Work Administration would be authorized to extend the disqualification to as much as six months for individuals who are discharged because of malicious misconduct or for the commission of a crime against their employer.

In addition:

(6) a family would be ineligible if it has unearned income in excess of $300 monthly or if total family income exceeds $5,600 annually; and

(7) if an individual is able to find regular employment on a part-time basis, he or she will be assured an opportunity for sufficient additional employment as a Government employee to result in a combined total of 40 hours work per week. If an individual working substantially full time in private employment wishes to work up to 20 hours in addition for the Government, the local office of the Work Administration (if it has work available) may provide him or her such an employment opportunity. Similarly, an individual working full time for the Government under the

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employment program could work an additional 20 hours with no reduction in the number of hours of Government employment he or she is provided.

Kinds of Employment

Three kinds of employment are provided:

1. Regular employment in the private sector or in jobs in public or nonprofit private agencies, with no subsidy;
2. Partially subsidized private or public employment; and
3. Newly developed jobs, with the Federal Government bearing the full cost of the salary.

Placement in Regular Employment

Some participants with little or no preparation could be placed immediately in regular employment involving no Government subsidy. These jobs would all pay at least $2.00 per hour.

Subsidized Public or Private Employment

In this category would be jobs not covered by the Federal minimum wage law, in which the employer paid less than $2.00 per hour but at least $1.50 per hour. No supplement would be paid if the employer reduced pay for the job because of the supplement. Thus no jobs presently paying the minimum wage would be downgraded under the Committee bill, and the minimum wage itself would not be affected. Rather, the supplement relates solely to those jobs not covered today under the minimum wage law. Some of these include:

Small retail stores:
- Sales clerk
- Cashier
- Cleanup man

Small service establishments:
- Beautician assistant
- Waiter
- Waitress
- Busboy
- Cashier
- Cook
- Porter
- Chambermaid
- Counterman

Domestic service:
- Gardener
- Handyman
- Cook
- Household aide
- Child attendant
- Attendant for aged or disabled person

Outside salesmen in any industry.

Public sector:
- Recreation aide
- Swimming pool attendant
- Park service worker
- Environmental control aide
- Ecology aide
- Sanitation aide
- Library assistant
- Police aide
- Fire department assistant
- Social welfare service aide
- Family planning aide
- Child care assistant
- Consumer protection aide
- Caretaker
- Home for the aged employee

Agricultural labor:
- Jobs picking, grading, sorting, and grading crops; spraying, fertilizing, and other preparatory work; milking cows; caring for livestock

For these jobs, the Federal Government would make a payment to any employee who is the head of a household equal to three quarters of the difference between what the employer pays him and $2.00 per hour, for up to 40 hours a week. Thus if an employer paid $1.50 an hour the Federal subsidy would amount to 38 cents an hour (three-quarters of the 50-cent difference between $1.50 and $2.00). This wage supplement would be administered by the local office of the Work Administration.

Federally Funded Jobs

For persons who could not be placed in either regular or subsidized public or private employment, jobs would be created which would pay at the rate of $1.50 per hour. An individual could work up to 32 hours a week (an annual rate of about $2,400), and would be paid on the basis of hours worked just as in any other job. There would be no pay for hours not worked.

However, a woman with school-age children would not be required to be away from home during hours that the children are not in school (unless child care is provided), although she may be asked, in order to earn her wage, to provide after-school care to children other than her own during these hours.

If an individual is able to find regular employment on a part-time basis, he or she will be assured an opportunity for sufficient additional employment as a Government employee to result in a combined total of 40 hours work per week. If an individual working substantially full time in private employment wishes to work up to 20 hours in addition for the Government, the local office of the Work Administration (if it has work available) may provide him or her such an employment opportunity. Similarly, an individual working full time for the Government under the employment program could work an additional 20 hours in private employment with no reduction in the number of hours of Government employment he or she is provided.

Participants would not be considered Federal employees, nor would they be covered by social security, unemployment compensation or workmen's compensation. The 10 percent special work-bonus would not apply to their salary.

For these individuals who cannot be placed immediately in regular employment at a rate of pay at least equal to the minimum wage, or in subsidized private employment, the major emphasis would be on having them perform useful work which can contribute to the betterment of the community. A large number of such activities are currently going undone because of the lack of individuals or funds to do them. With a large body of participants for whom useful work will have to be arranged, many of these community improvement activities could now be done. At the same time, safeguards are provided so that the program meets the goal of opening up new job opportunities and does not simply replace existing employees, whether in the public or private sector.

Any job in the regular economy paying $1.50 per hour or more, even a part-time job, would yield a greater income than $1.50 per-hour Government employment and it is anticipated that this will serve as an incentive for participants to seek regular employment. In addition,

the cost to the Government would be substantially less for an individual in regular employment.

Work Bonus for Low-Income Workers

Low-income workers in regular employment who head families would be eligible for a work bonus equal to 10 percent of their wages taxed under the social security (or railroad retirement) program, if the wage income of the husband and wife is $4,000 or less. For families where the husband's and wife's wage income exceeds $4,000, the work bonus would be equal to $400 minus one-quarter of the amount by which this income exceeds $4,000. Thus there would be no work bonus once income reached $5,600 ($5,600 exceeds $4,000 by $1,600; one-quarter of $1,600 is $400, which subtracted from $400 equals zero).

The size of the work bonus is shown on the table below for selected examples:

Annual earnings of family taxed under social security	*Work bonus*
$2,000	$200
3,000	300
4,000	400
5,000	150
5,600	0

The plan incorporates the features of (1) not varying benefits by family size, but only by income, providing no economic incentive for having additional children; and (2) having a gradual phaseout of the amount of the payment as income rises above $4,000 so as not to create a work disincentive. The plan would cost an estimated $1.2 billion and would provide work bonus payments to 5½ million families.

There are certain types of work which are covered under social security but only when the amount of wages earned from a single employer exceeds $50 in a quarter. This limitation applies to the employment of domestics, yardmen and other similar non-business employees. Such employees, if they are the heads of a family, would get the work bonus with respect to all of their wages including those not covered by social security because of the $50 quarterly limitation. In order to qualify for the work bonus on these wages, however, the individual would have to arrange to perform the work as an employee of the Work Administration which would pay him the prevailing wage for the job and bill the private employer for the wages and other costs associated with making his services available. If the employment would ordinarily be covered by social security, then it will be covered under social security when arranged on this basis by the Work Administration. If the employment is not covered by social security, then the employer will not have to pay social security taxes. However, the Work Administration will have a record of all such wages which would have been subject to social security taxes but for the requirement that at least $50 be paid by a private employer during a quarter.

The 10 percent work bonus would be administered by the Internal Revenue Service.

Transportation Assistance

In recognition of the fact that a major reason for low-skilled jobs going unfilled in metropolitan areas is the difficulty an individual faces getting to the potential job, the Work Administration would be authorized to arrange for transportation assistance where this is necessary to place its employees in regular jobs. For example, the Work Administration might determine the upper limit of transportation time to get to a job—say, 45 minutes or one hour, depending on the average commuting time in the area. If the individual can get to the job within that amount of time through ordinary public transportation or other arrangements, then he would be expected to do so. If this could not be done, however, then the Work Administration would be authorized to provide transportation directly to employees who could be placed in regular jobs in order to cut the transportation time down to the standard. The Work Administration could only do this where it was necessary in order to increase employment opportunities. In any case, the cost would ordinarily not be borne by the Government—the employee would pay the Work Administration, and perhaps be reimbursed by the employer if this is customary in the area for the type of job involved. The Work Administration would have the flexibility to absorb some of the costs involved in unusual circumstances.

Training

Participants in the employment program would be eligible to volunteer for training to improve their skills under the training program administered by the Work Administration. The individual would be accepted for enrollment to the extent funds are available and only if they are satisfied that the individual is:

1. Capable of completing training; and
2. Able to become independent through employment at the end of the training and as a result of the training.

Employees under the employment program who wished to participate in training would be strongly motivated, for they would be paid only $1.30 rather than $1.50 for each hour of training. Following the successful completion of training (which could not exceed 1 year in duration), the trainee would receive a lump-sum bonus for having completed training.

Services

Since the purpose of the proposal is to improve the quality of life for children and their families, any member of a family whose head participates in the work program could be provided services to strengthen family life or reduce dependency, to the extent funds are available to pay for the services. Open-ended funding would be provided for family planning and child care services. The agency administering the employment program would refer family members to other agencies in arranging for the provision of social and other services which they do not provide directly. For example, a disabled family member might be referred to the vocational rehabilitation agency, or a 16-year-old out-of-school youth might be referred to an appropriate work or training program, even though the cost of the services themselves would not be borne by the employment program.

Former participants in the work program would have access to free family planning services and to child care on a wholly or partly subsidized basis, depending on family income. Other services needed to continue in employment, including minor medical needs, could be provided by the agency administering the program.

State Supplementation

In order to prevent the State welfare program from undermining the objectives of the Federal employment program the State would have to assume that individuals eligible for the State supplement who are also eligible to participate in the employment program are actually participating full time and thus receiving $200 per month. A similar rule would apply to mothers with children under age 6 who volunteer.

Furthermore, the State would be required to disregard any earnings between $200 a month and $375 a month (the amount an employee would earn working 40 hours a week at $2.00 per hour) to ensure that the incentive system of the alternative plan is preserved. These earnings disregards would be a flat requirement; States would not be required to take into account work expenses. The effect of this requirement would be to give a participant in the work program a strong incentive to work full time (since earnings of $200 will be attributed to him in any case), and it would not interfere with the strong incentives he would have to seek regular employment rather than working for the Government at $1.50 per hour.

Food Stamps

Individuals participating in the employment program would not be eligible to participate in the food stamp program. However, States would be reimbursed the full cost of adjusting any supplementary benefits they might decide to give to participants so as to make up for the loss of food stamp eligibility. In order to avoid having States provide assistance to an entirely new category of recipient not now eligible for federally-shared Aid to Families with Dependent Children, the Committee provided that the Work Administration would pay families headed by an able-bodied father the amount equal to the value of food stamps (but only to the extent that the State provides cash instead of food stamps for families which are now in the Aid to Families with Dependent Children category).

Children of Mothers Refusing to Participate in the Employment Program

Under the employment program, mothers in families with no children under age six would generally be ineligible to receive their basic income from the Aid to Families with Dependent Children program. If it comes to the attention of a welfare agency, however, that children are suffering neglect because a mother who is ineligible for basic income under AFDC also refuses to participate in or is disqualified from the employment program, the Work Administration would be authorized to make payment to the family for up to one month if the mother is provided counseling and other services aimed at persuading

her to participate in the employment program. Following this, the mother would either have to be found to be incapacitated under the Federal definition (that is, unable to engage in substantial gainful employment), with mandatory referral to vocational rehabilitation agency; or, if she is not found to be incapacitated, the State could arrange for protective payments to a third party to ensure that the needs of the children are provided for.

Administration of the Employment Program

The employment program would be administered by a newly created Work Administration headed by a 3-man board appointed by the President with the advice and consent of the Senate. The actual operations of the program would be carried out by local offices of the Work Administration.

The local office would hire individuals applying to participate, develop employability plans for participants, attempt to expand job opportunities in the community, arrange for supportive services needed for persons to participate (utilizing the Work Administration's Bureau of Child Care to arrange for child care services), and operate programs utilizing participants which are designed to improve the quality of life for the children of participants in the employment program.

Employment Program in Puerto Rico

Certain provisions relating to the employment program in Puerto Rico were made. These modifications are necessary because of the fact that Puerto Rico has a different minimum wage structure than the rest of the United States, has substantially lower per capita income, and has a high rate of unemployment. Under the Committee bill the wages paid to Government employees would be equal to three-quarters of the lowest minimum wage applicable to a significant percentage of the population. This would result in a lower wage for Government employees than in the rest of the United States, but it would be significantly higher than current welfare payments in Puerto Rico. The wage supplement program for persons in regular employment at less than the minimum wage would not be applicable to Puerto Rico, but the 10 percent work bonus for low-income earners in jobs covered by social security would apply.

Tax Credit to Develop Jobs in the Private Sector

The provision of the present tax law under which an employer hiring a participant in the Work Incentive Program is eligible for a tax credit equal to 20 percent of the employee's wages during the first 12 months of employment, with a recapture of the credit if the employer does not retain the employee for at least one additional year (unless the employee voluntarily leaves or is terminated for good cause), will be continued under the new guaranteed employment program.

Because the guaranteed job opportunity program, unlike the Work Incentive Program, would be open to the head of any family with children, the following limitations would be added to the provisions of the tax credit to ensure that the credit meets the primary aim of expanding employment opportunities for participants in the Committee's work program:

1. The credit would apply only with respect to individuals who have been participating in the guaranteed job program for at least one month;
2. The credit would not be applicable with respect to more than 15 percent of all employes of the employer in any one year (though the employer would always be permitted to take the credit for at least one employee);
3. The credit would not be available in cases where an employee is discharged and replaced by another employee who formerly worked for the Work Administration; and
4. The credit could not exceed $800 in the case of any one employee (20 percent of $4,000, approximately the amount of annual earnings at $2 an hour).

In order to create additional employment opportunities for participants in the guaranteed job program, the Committee bill would extend the credit to private employers hiring participants in addition to businesses. A private employer taking the credit would not be eligible at the same time for the income tax child care or household expense deduction.

Effective Dates

The effective date for the basic job opportunity program is January 1974. As of that date, families which include an employable adult (including a mother with no child under age 6) will no longer be eligible for welfare as their basic income. If unable to find a regular job, however, the family head will be assured of Government employment paying $1.50 an hour for 32 hours weekly, producing $2,400 of income annually, the same amount which would have been payable to a family of 4 under the House-passed family assistance plan.

The 10 percent work bonus and the wage supplement payment would become payable even before the full guaranteed employment program is operative. Specifically, the work bonus which will be paid quarterly to low-income workers will become effective starting in January 1973. The wage supplement for family heads in regular jobs not covered under the minimum wage law and paying less than $2.00 per hour will be effective July 1973, utilizing the services of the local employment service offices to make the payments until the Work Administration mechanism is functioning.

GENERAL WELFARE PROVISIONS, CHILD WELFARE SERVICES, SOCIAL SERVICES, AND OTHER PROVISIONS

1. GENERAL WELFARE PROVISIONS

The following amendments approved by the Committee apply to both the adult categories (Aged, Blind and Disabled) and to the Aid to Families with Dependent Children category. Other provisions for each category are specified in separate sections of this release relating to each program.

Welfare as a Statutory Right

A number of court cases in recent years have been based on the view that welfare is a property right rather than a gratuity provided for under a statute. The Committee agreed to make clear in the statute that welfare is a statutory right granted under law which can be extended, restricted, altered, amended or repealed by law. It is distinct from a property right or any right considered inviolate under the Constitution.

Declaration Method of Determining Eligibility

Generally speaking, the usual method of determining eligibility for public assistance has involved the verification of information provided by the applicant for assistance through a visit to the applicant's home and from other sources. For persons found eligible for assistance, redetermination of eligibility is required at least annually, and similar procedures are followed.

The Department of Health, Education, and Welfare has required States to use a simplified or "declaration method" for aid to aged, blind, and disabled, and has strongly urged that this method be used in the program of Aid to Families with Dependent Children. The simplified or "declaration method" provides for eligibility determinations to be based to the maximum extent possible on the information furnished by the applicant, without routine interviewing of the applicant and without routine verification and investigation by the caseworker. The Committee bill precludes the use of the declaration method by law. It also explicitly authorizes the States in the statute to examine the application or current circumstances and promptly make any verification from independent or collateral sources necessary to insure that eligibility exists. The Secretary could not, by regulation, limit the State's authority to verify income or other eligibility factors.

Denial of Welfare for Refusal to Allow Caseworker in Home

In 1969 a Federal District Court ruled on constitutional grounds that a State could not terminate welfare payments to a recipient who

refused to allow a caseworker in her home. In 1971, the Supreme Court reversed the lower court's decision. The Committee agreed to codify the Supreme Court's decision in the statute by amending the Act to permit a State to require as a condition of eligibility for welfare that a recipient allow a caseworker to visit the home at a reasonable time and with reasonable advance notice.

Furnishing Manuals and Other Policy Issuances

Regulations issued by the Department of Health, Education, and Welfare in October, 1970, require States to make available current copies of program manuals and other policy issuances without charge to public or university libraries, the local or district offices of the Bureau of Indian Affairs, and welfare or legal services offices or organizations. The material may also be made available, with or without charge, to other groups and to individuals. The Committee approved an amendment under which States would be permitted to be reimbursed for the cost (but no more than the cost) of making this information available.

Requirement of Statewideness for Social Services

The Social Security Act requires that social services (including child care and family planning services) under the welfare programs be in effect in all political subdivisions of a State in order for the State to obtain Federal matching funds. This requirement of statewideness has sometimes delayed the provision of these services. The Committee agreed to permit the Secretary to waive the requirement of statewideness for services.

Use of Social Security Numbers and Other Means of Identification

The Committee bill would require the use of social security numbers in the administration of assistance programs. States would use social security numbers for case file identification, for cross-checking purposes and as an aid in the compilation of statistical data with respect to the welfare programs. In addition, States would be authorized to use photographs and such other means of identification as they desire in administering the welfare programs, as well as setting penalties for misuse of these means of identification.

Duration of Residency

The Committee agreed to require States to establish a three-month duration of residence requirement in order to be eligible for welfare. If a welfare recipient in one State moves to another State, the State of origin would continue making the welfare payments for three months; however, no State would be required to make welfare payments more than 90 days after an individual has left the State.

The Committee also agreed with the provision in the House-passed version of H.R. 1 that would make an individual ineligible for welfare payments during any month in which the person is outside the United States the entire month; once an individual has been outside

the United States for at least 30 consecutive days, he must remain in the United States for 30 consecutive days before he may again become eligible for welfare.

In addition, to become eligible for welfare, an individual must be a resident of the United States and either a citizen or alien lawfully admitted for permanent residence or a person who is a resident under color of law.

Welfare Payments for Rent

Under existing law welfare payments are ordinarily made directly to the recipients. Some States have indicated that they could effect substantial administrative savings if they were permitted to make a single payment directly to public housing authorities of the rent portion of welfare payments for recipients in public housing. The Committee bill would permit States to do this. It would also permit State welfare agencies to make a vendor payment for rent directly to a landlord provided that (a) the welfare recipient has failed to make rent payments (whether or not to the same landlord) for two consecutive months, and (b) the landlord agrees to accept the amount actually allowed by the State to the recipient for shelter as total payment for the rent. The Committee also agreed to repeal a welfare amendment in Public Law 92–213 which would require welfare agencies in some circumstances to pay as a rental allowance more than the actual cost of rent.

Alcoholics and Addicts

The Committee was concerned over the fact that many thousands of recipients on welfare who have been determined to be alcoholics and addicts are not being provided necessary rehabilitative care and treatment. For explanation of committee amendments related to care and treatment of these persons, see the end of the section on Medicare and Medicaid provisions.

Sharing the Cost of Prosecuting Welfare Fraud

Under present law, the Federal Government pays 50 percent of the cost of administration of the welfare programs, as these costs are incurred by the State welfare agency. The Committee bill extends an amendment providing 50 percent Federal matching also for the cost of State and local prosecuting attorney efforts to prosecute welfare fraud.

Recent Disposal of Assets

Under present law, an individual with assets whose value exceeds the welfare eligibility level in the State, may dispose of those assets in order to qualify for assistance. For example, an elderly widow may give her assets to her children to qualify for assistance even though the children continue to make the assets available to her.

The Committee bill deals with this situation by providing that anyone who has voluntarily assigned or transfered property to a relative within one year prior to applying for public assistance and who has received less than fair market value for the property, will be ineligible for public assistance for one year period commencing with the date of transfer.

Recouping Overpayments

The Committee agreed to provide statutorily that overpayments constitute an obligation of an individual to be withheld from any future assistance payments or any amounts (other than Social Security death benefits) owed by the Federal Government to the individual; in addition, overpayments could be collected through ordinary collection procedures.

Ineligibility for Food Stamps

Under the Committee bill (as under the House version), individuals in the welfare programs will not be eligible for food stamps or surplus commodities. States would be assured that there would be no additional expenses to them if they adjust their welfare payment levels to take into account loss of entitlement for food stamps, so that recipients would suffer no loss of income as a result of losing entitlement to food stamps.

Appeals Process

Present law requires that a State plan must provide for granting an opportunity for a fair hearing before the State agency to any individual whose claims for aid is denied or not acted upon with reasonable promptness.

On March 23, 1970, the Supreme Court ruled in two cases (*Goldberg* v. *Kelly* (397 U.S. 254) and *Wheeler* v. *Montgomery* (397 U.S. 280)) that assistance payments could not be terminated before a recipient is afforded an evidentiary hearing. The decision was made on the constitutional grounds that termination of payments before such a hearing would violate the due process clause. The Court argued that welfare payments are a matter of statutory entitlement for persons qualified to receive them, and that "it may be realistic today to regard welfare entitlements as more like 'property' than a 'gratuity.' * * * The constitutional challenge cannot be answered by an argument that public assistance benefits are 'a "privilege" and not a "right."'"

The HEW regulations based on the court's decision (45 CFR 205.10) go much further than the court in spelling out the requirements for fair hearings. The tone and emphasis of the regulations is shown in these excerpts: "Agency emphasis must be on helping the claimant to submit and process his request, and in preparing his case, if needed. The welfare agency must not only notify the recipient of his right to appeal, it must also notify him that his assistance will be continued during the appeal period if he decides to appeal." The regulation continues: "prompt, definitive, and final administrative action will be taken within 60 days from the date of the request for a fair hearing, *except where the claimant requests a delay in the hearing*" (emphasis added).

The Committee bill deals with this situation by requiring State Welfare agencies to reach a final decision on the appeal of a welfare recipient within 30 days following the day the recipient was notified of the agency's intention to reduce or terminate assistance. The bill would also require the repayment to the agency of amounts which a recipient received during the period of the appeal if it was

determined that the recipient was not entitled to them. Any amounts not repaid would be considered an obligation of the recipient and would be recouped in the same manner as other overpayments. In addition, the Committee bill would stipulate that the recipient has a right to appeal at a higher administrative level but that payments need not be continued once an initial adverse determination has been made on the local level at a hearing at which evidence can be presented.

The Committee provision was designed to assure that the appeals procedures would be handled expeditiously by the State and also to assure that appeals would not be made frivolously.

Safeguarding Information

The statutes in all of the welfare programs under the Social Security Act provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of each welfare program. Regulations issued by the Department of Health, Education, and Welfare state that the same policies apply to requests for information from a governmental authority, the courts or law enforcement officials as from any other outside source.

The Committee bill re-enacts these statutory provisions but includes features making it clear that this requirement may not be used to prevent a court, prosecuting attorney, tax authority, law enforcement official, legislative body or other public official from obtaining information in connection with his official duties including the collection of support payments or prosecuting fraud or other criminal or civil violations.

Separation of Services and Eligibility Determination

A further example of legislation through regulation involves the separation of social services from the welfare payment process. On March 1, 1972, the Department of HEW issued a regulation requiring States to have completely separate administrative units handling the provision of social services and handling the determination of eligibility for welfare. The issuing of this regulation was justified on the grounds that the Family Assistance Plan in the House-passed bill would soon be enacted and it would require a separation of the State-administered services program from the Federal welfare payment programs. Under the Committee bill States would not be required to separate the provision of social services from the determination of eligibility for welfare.

Quality of Work Performed by Welfare Personnel

In an effort to try to upgrade the quality of work performed by welfare personnel, the Committee bill directs the Secretary of the Department of Health, Education, and Welfare to study and report to the Congress by January 1, 1974, on ways of enhancing the quality of welfare work, whether by fixing standards of performance or otherwise. In making this study, the Secretary could draw on the knowledge and expertise of persons talented in the field of welfare adminis-

tration, including those having direct contact with recipients. He should also benefit from suggestions made by recipients themselves as to how the level of performance in the administration of the welfare system might be improved, with a view toward ending the wide variations in employee conduct which characterize today's system, and moderating the extremes to which some social workers go in performing their duties.

Offenses by Welfare Employees

Under present Federal law there is no provision particularly directed to the question of employee conduct in the administration of the welfare program. On the other hand, the Internal Revenue Code (Sec. 7214) contains a list of offenses the commission of any of which, by a tax employee, would bring into effect discharge from employment and penalties of (a) fines not to exceed $10,000, or (b) imprisonment for not more than five years, or both. The provision in the Internal Revenue Code also authorizes a court to award out of any fines imposed an amount up to one-half of the fine to be paid to the informer whose information resulted in the detection of the criminal offense. This law has contributed to the high quality of performance of Internal Revenue employees and has been a factor in assuring relatively uniform standards of conduct.

Under the Committee bill similar rules would apply under the welfare laws that could relate to an upgrading of the quality of performance by welfare workers in general and serve as the basis for standards of conduct which hopefully might narrow the wide variations in employee conduct which exist today.

Specifically, under the Committee bill it would be a crime punishable by a fine of up to $10,000 or imprisonment of up to 5 years, or both, in the case of a welfare employee who is found guilty of:

(1) extortion or willful oppression under color of law; or

(2) knowingly allowing the disbursement of greater sums than are authorized by law, or receiving any fee, compensation, or reward, except as prescribed, for the performance of any duty; or

(3) failing to perform any of the duties of his office or employment with intent to defeat the application of any provision of the welfare statute; or

(4) conspiring or colluding with any other person to defraud the United States or any local, county or State government; or

(5) knowingly making opportunity for any person to defraud the United States; or

(6) doing or omitting to do any act with intent to enable any other person to defraud the United States or any local, county or State government; or

(7) making or signing any fraudulent entry in any book, or making or signing any application, form or statement, knowing it to be fraudulent; or

(8) having knowledge or information of the violation of any provision of the welfare statute which constitutes fraud against the welfare system, and failing to report such knowledge or information to the appropriate official; or

(9) demanding, or accepting, or attempting to collect, directly or indirectly as payment or gift, or otherwise, any sum of money or other thing of value for the compromise, adjustment, or settlement of any charge or complaint for any violation or alleged violation of law, except as expressly authorized by law.

In addition to these penalties the employee involved shall be dismissed from office or discharged from employment.

Limiting HEW Regulatory Authority in Welfare Programs

The Social Security Act permits the Secretary of Health, Education, and Welfare to "Make and publish such rules and regulations, not inconsistent with this Act, as may be necessary to the efficient administration of the functions" with which he is charged under the Act. Similar authority is provided under each of the welfare programs. Particularly since January, 1969, regulations have been issued under this general authority with little basis in law and which sometimes have run directly counter to legislative history. Many States have attributed at least a part of the growth of the welfare caseload in recent years to these regulations of the Department of HEW.

A number of Committee decisions deal with problems raised by specific HEW regulations. In addition, the Committee agreed to modify the statutory language quoted above by limiting the Secretary's regulatory authority under the welfare programs so that he may issue regulations only, with respect to specific provisions of the Act and even in these cases the regulations may not be inconsistent with these provisions.

Demonstration Projects to Reduce Dependency on Welfare

The Social Security Act currently authorizes appropriations for research and demonstration projects in the area of public assistance and social services. The authority has been used to fund several guaranteed minimum income experiments and also a large number of projects related to providing social services to welfare recipients. The Committete agreed to place emphasis on those programs helping persons to become economically independent by requiring that one-half of the funds spent under these two sections be spent on projects relating to the prevention and reduction of dependency on welfare, rather than welfare expansion.

2. CHILD WELFARE SERVICES

Grants to States for Child Welfare Services (Including Foster Care and Adoptions)

The Committee adopted an amendment increasing the annual authorization for Federal grants to the States for child welfare services to $200 million in fiscal year 1973, rising to $270 million in 1977 and thereafter. For fiscal year 1973, this is $154 million more than the $46 million which has been appropriated every year since 1967. The Committee anticipates that a substantial part of any increased appropriation under this higher authorization will go towards meeting the costs

of providing foster care which now represents the largest single item of child welfare expenditure on the county level. The Committee, however, avoided earmarking amounts specifically for foster care so that wherever possible the State and counties could use the additional funds to expand preventive child welfare services with the aim of helping families stay together and thus avoiding the need for foster care. The additional funds can also be used for adoption services, including action to increase adoptions of hard-to-place children.

National Adoption Information Exchange System

The Committee bill would authorize $1 million for the first fiscal year and such sums as may be necessary for succeeding fiscal years for a Federal program to help find adoptive homes for hard-to-place children. The amendment would authorize the Secretary of Health, Education, and Welfare to "provide information, utilizing computers and modern data processing methods, through a national adoption information exchange system, to assist in the placement of children awaiting adoption and in the location of children for persons who wish to adopt children, including cooperative efforts with any similar programs operated by or within foreign countries, and such other related activities as would further or facilitate adoption."

3. SOCIAL SERVICES

Federal Matching for Social Services

The Committee also approved an amendment clarifying the types of social services for which Federal funding may be provided and bringing such funding within the limitations of the appropriations process. Under current law, each State determines what kinds and amounts of social services it will provide to welfare recipients (and other low-income persons who are classified as potential recipients). Whatever services the State provides are matched on a 75 percent Federal, 25 percent non-Federal basis.

Because this matching is completely open-ended and not subject to the ordinary limitations of the appropriation process, Federal costs for social services have soared in the past few years from $354 million in 1969 to $692 million in 1971, and to an estimated $1,363 million in 1972.

The Committee amendment would specifically list the services for which Federal matching may be provided. For families, the services would be:

(a) services to unmarried women who are pregnant or already have children, for the purpose of arranging for prenatal and postnatal care of the mother and child, developing appropriate living arrangements for the child, and assisting the mother to complete school through the secondary level or secure training so that she may become self-sufficient;

(b) protective services for children who are (or are in danger of being abused, neglected, or exploited;

(c) homemaker services when the usual homemaker becomes ill or incapacitated or is otherwise unable to care for the children

in the family, and services to educate appropriate family members about household and related financial management and matters pertaining to consumer protection;

(d) nutrition services;

(e) services to assist the needy families with children in dealing with problems of locating suitable housing arrangements and other problems of inadequate housing, and to educate them in practices of home management and maintenance;

(f) emergency services made available in connection with a crisis or urgent need of the family. Fires, floods, accidents, desertions and illnesses can all be disasters to people which may lead to institutionalization and dependency unless immediate response can be brought to bear on the problem;

(g) services to assist appropriate family members to engage in training or secure or retain employment; and

(h) informational and referral services for individuals in need of services from other agencies (such as the health, education, or vocational rehabilitation agency, or private social agencies) and follow-up activities to assure that individuals referred to and eligible for available services from such other agencies received such services.

For the aged, blind, and disabled, the services would include:

(a) protective services for individuals who are (or are in danger of being abused, neglected, or exploited, such as institutional services for those aged or physically or mentally disabled who are unable to maintain their own place of residence;

(b) homemaker services, including education in household and related financial management and matters of consumer protection, and services to assist aged, blind, or disabled adults to remain in or return to their own homes or other residential situations and to avoid institutionalization or to assist in making appropriate living arrangements at the lowest cost in light of the care needed;

(c) nutrition services, including the provision, in appropriate case, of adequate meals, and education in matters of nutrition and the preparation of foods;

(d) services to assist individuals to deal with problems of locating suitable housing arrangements and other problems of inadequate housing, and to educate them in practices of home maintenance and management;

(e) emergency services made available in connection with a crisis or urgent need of an individual;

(f) services to assist individuals to engage in training or securing or retaining employment; and

(g) informational and referral services for individuals in need of services from other agencies (such as the health, education, or vocational rehabilitation agency, or private social agencies) and follow-up activities to assure that individuals referred to and eligible for available services from such other agencies received such services.

Under the Committee amendment, Federal matching for social services beginning January 1973 would be the same as Federal matching for Medicaid (which ranges from 50 percent to 83 percent, depending on State per capita income), with two differences: (1) Federal matching would not exceed 75 percent, and (2) for the 12 months of

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calendar year 1973, the Federal matching percent would not be below 65 percent even if the Medicaid matching rate is below 65 percent. Child care and family planning services would continue to be matched on an open-ended basis, and child welfare services would continue to be a separate Federal grant program; with these exceptions, Federal funds for all other social services in both the adult and AFDC categories (excluding child care, family planning, and child welfare services) would be limited to not more than $1 billion annually beginning in fiscal year 1973. The Federal funds appropriated for social services would be allocated among the States on the basis of the total State population. Any funds which are allotted but not used by one State may be reallotted among the other States.

Family Planning Services

The Committee approved payment by the Federal Government of 100 percent of the cost of Family Planning Services as compared with 75 percent under present law.

Eliminate Statutory Requirement of Individual Program of Services for Each Family

Present law requires States to develop an individual program of services for each family receiving AFDC. This has proven to be an unnecessary administrative burden. The Committee agreed to delete this statutory requirement.

Supportive Services for Participants in the WIN Program

Until the Government Employment Program begins on January 1, 1974, the Committee bill would continue 90 percent Federal matching for supportive services other than family planning services to enable AFDC recipients to participate in the Work Incentive Program.

4. OTHER PROVISIONS

Evaluation of Programs Under the Social Security Act

The Committee bill assigns to the General Accounting Office the basic role of evaluating programs under the Social Security Act. In addition, the amendment would not permit any Federal agency to enter into a contract to evaluate any program under the Social Security Act (if an expenditure of more than $25,000 is involved) unless the Comptroller General approves the study in advance. His approval would be conditioned on his determination that:

(a) The conduct of such study or evaluation of such program is justified;

(b) The department or agency cannot effectively conduct the study or evaluation through utilization of regular full-time employees; and

(c) The study or evaluation will not be duplicative of any study or evaluation which is being conducted, or will be conducted within the next twelve months, by the General Accounting Office.

Use of Federal Funds to Undermine Federal Programs

Another amendment approved by the Committee would prohibit the use of Federal funds to pay, directly or indirectly, the compensation or expenses of any individual who in any way participates in action relating to litigation which is designed to nullify Congressional statutes or policy under the Social Security Act. This prohibition may, however, be waived by the Attorney General 60 days after he has provided the Committee on Finance and the Committee on Ways and Means with notice of his intent to waive the prohibition. This will allow the Committees time to take legislative action if appropriate. This amendment is similar to one approved by the Committee in 1970 as part of the Social Security-Welfare bill of that year—a bill which was not finally enacted.

Appointment and Confirmation of Administrator of Social and Rehabilitation Services

The Social and Rehabilitation Service was established in 1967 by a reorganization within the Department of Health, Education, and Welfare. Its responsibilities at present are broad, encompassing the federally aided welfare programs, medicaid, and programs in the areas of vocational rehabilitation, aging, and juvenile delinquency. The sums involved are huge; the bulk of the $14-billion 1972 budget for the agency is spent on the public assistance and medicaid programs. The Committee agreed to upgrade the stature of the Administrator of the Social and Rehabilitation Service by having the President select him and by having him confirmed by the Senate as his colleagues with equivalent positions in the Department (the Commissioner of Social Security, the Commissioner of Education, and the Surgeon General) now enjoy.

CHILD CARE

At the present time, the lack of availability of adequate child care today represents perhaps the greatest single obstacle in the efforts of poor families, especially those headed by a mother, to work their way out of poverty. It also represents a hindrance to those mothers in families above the poverty line who wish to seek employment for their own self-fulfillment or for the improvement of their family's economic status.

The Committee on Finance has long been involved in issues relating to child care. The committee has been dealing with child care as a segment of the child welfare program under the Social Security Act since the original enactment of the legislation in 1935. Over the years, authorizations for child welfare funds were increased in legislation acted on by the committee.

As part of its continuing concern for the welfare of families with children who are in need, and in order to provide for the expansion of child care required to enable the new employment program to meet its goal of making present AFDC recipients independent, the Committee is proposing a new approach to the problem of expanding the supply of child care services and improving the quality of these services. The Committee bill thus establishes within the new Work Administration a Bureau of Child Care with the eventual goal of making child care services available throughout the Nation to the extent they are needed, but are not supplied under other programs.

Bureau of Child Care

The Bureau of Child Care would have as its first priority making available child care services to participants in the employment program. Next in order of priority would be the provisions of child care to low-income working mothers and to other mothers desiring child care services.

Where child development services are available under any other legislation approved by the Congress, the Bureau would attempt to place children in those services.

To the maximum extent possible, the Bureau would attempt to utilize mothers participating in the employment program in providing child care services.

Initially, the Bureau would train persons to provide family day care and would contract with existing public, private non-profit, and proprietary facilities to serve as child care providers. To expand services, the Bureau would also give technical assistance and advice to organizations interested in establishing facilities under contract with the Bureau. In addition, the Bureau could provide child care services in its own facilities.

Federal child care standards are specified in the amendment to assure that adequate space, staff and health requirements are met. In

addition, facilities used by the Bureau will have to meet the Life Safety Code of the National Fire Protection Association. Any facility in which child care is provided by the Bureau, either directly or by contract, will have to meet the Federal standards, but will not be subject to any licensing or other requirements imposed by States or localities. This provision will make it possible for many groups and organizations to establish child care facilities under contract with the Bureau where they cannot now do so because of overly rigid State and local requirements.

Subsidization of child care for low-income working mothers will depend on the availability of appropriations. Mothers able to pay will be charged the full cost of services.

In addition to appropriations to subsidize child care costs for low-income working mothers, fees would be charged for services provided or arranged for by the Bureau. They would be set at a level which would cover the unsubsidized costs of arranging for child care. The fees would go into the revolving fund to provide capital for further expansion of services.

The child care amendment also includes provision to authorize the Bureau to issue bonds for construction if, after the first two years of operation, the Bureau feels that additional funds for capital construction of child care facilities are needed. Up to $50 million in bonds could be issued each year, with an overall limit of $250 million on bonds outstanding.

Authorization

The Committee agreed to authorize $800 million in fiscal year 1973 (and such sums as the Congress might appropriate thereafter) to arrange for and to pay for part or all of the cost of child care for the children of participants in the employment program and to other low income working mothers. (The House bill would provide $750 million for substantially the same purposes.)

Grants to States for Establishment of Model Day Care

The Committee expects that much of the child care offered by the Bureau of Child Care will be similar to that provided by mothers in their own home, since experience has shown that most working mothers prefer family day care because of its convenience and its informality. However, the Committee has also provided a 3-year program of grants to States to permit them to develop model child care. Appropriations would be authorized to permit each State in fiscal years 1973, 1974 and 1975 to receive a grant of up to $400,000 per year to pay all or part of the cost of model care, whether through the establishment of one child care center or a child care system. Special emphasis would be placed on utilizing the model child care for training persons in the field of child care.

AID TO FAMILIES WITH DEPENDENT CHILDREN

Persons Eligible for Aid to Families With Dependent Children

The Committee bill, when the Guaranteed Employment program goes into effect on January 1, 1974, will require that States:

1. Make eligible for AFDC only the following classes of families:
   a. Family headed by mother with child under age 6;
   b. Family headed by incapacitated father where mother is not in the home or is caring for father;
   c. Family headed by mother who is ill, incapacitated, or of advanced age;
   d. Families headed by mother too remote from an employment program to be able to participate;
   e. Family headed by mother attending school fulltime even if there is no child under 6; and
   f. Child living with neither parent, together with his caretaker relative(s), providing his mother is not also receiving welfare; and
2. Do not reduce payment levels to AFDC recipients below $1,600 for a two-member family, $2,000 for a three-member family and $2,400 for a family of four or more; or, if payment levels are already below these amounts, they could not be reduced at all.

This requirement is not intended to act as a limitation on the right of a State to make other persons eligible at its own expense for benefits under its AFDC program. Indeed, in many States with benefit levels higher than those provided under the guaranteed employment program, AFDC-type families participating in the work program would receive supplemental payments under the State program sufficient to bring their incomes up to the payment standards generally applicable in the State. Specifically, the families not required to be covered by the State program (although it can be anticipated that many States will continue to supplement them) are families headed by an able-bodied male and families headed by an able-bodied female if all her children have reached age six.

Definition of "Incapacity" Under Aid to Families with Dependent Children

Under present law the Federal Government will match payments to families where the father is incapacitated. The definition of "incapacitated" is left up to the States. Under the Committee bill the term "incapacitated" would be defined as "inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment." This is the same definition as is used in determining disability under the social security disability insurance program, except that the definition suggested would also apply to

short term, temporary disability while social security benefits are available only to persons whose disability will last at least 12 months.

Ineligibility of Unborn Children

Regulations of the Department of Health, Education, and Welfare permit Aid to Families with Dependent Children payments for a child who has not yet been born. The Committee bill would make unborn children ineligible for AFDC.

Children Living in a Relative's Home

Under the present law an AFDC mother with more than one child can enable a relative to become eligible for welfare by lending the relative one of her children. The Committee bill would permit a State to deny welfare aid to the relative in such situation.

Cooperation of Mother in Identifying the Father and Seeking Support Payments

The Committee bill would require, as a condition of eligibility, that a mother cooperate in efforts to establish the paternity of a child born out of wedlock, cooperate in seeking support payments from the father, and assign the right to collect support payments on her behalf to the Government.

The provisions related to child support and establishing paternity are described in greater detail under the heading "Child Support."

Families Where There is a Continuing Parent-Child Relationship

The Committee has approved a provision which would clarify congressional intent with respect to the meaning of the term "parent" under the AFDC program. In most cases, AFDC families are eligible on the basis that the children in the family have been deprived of parental support by reason of the continued absence from the home of a parent. In 1968, the Supreme Court ruled that a State could not consider a child ineligible for AFDC when there is a substitute father with no legal obligation to support the child. This court decision was based on an interpretation that Congress did not intend that such a person would come within the meaning of the term "parent." The Committee bill would authorize States to determine whether a man is a "parent" on the basis of a total evaluation of his relationship with the child and not solely on the question of his obligation to support. The determination would have to consider the following indications of the existence of a parental relationship:

1. The individual and the child are frequently seen together in public;
2. The individual is the parent of a half-brother or half-sister of the child;
3. The individual exercises parental control over the child;
4. The individual makes substantial gifts to the child or to members of his family;
5. The individual claims the child as a dependent for income tax purposes;

6. The individual arranges for the care of the child when his mother is ill or absent from the home;

7. The individual assumes responsibility for the child when there occurs in the child's life a crisis such as illness or detention by public authorities;

8. The individual is listed as the parent or guardian of the child in school records which are designed to indicate the identity of the parents or guardians of children;

9. The individual makes frequent visits to the place of residence of the child; and

10. The individual gives or uses as his address the address of such place of residence in dealing with his employer, his creditors, postal authorities, other public authorities, or others with whom he may have dealings, relationships, or obligations.

The relationship between an adult individual and a child would be determined to exist in any case only after an evaluation of the factors as well as any evidence which may refute any inference supported by evidence related to such factors. Under the Committee bill any natural parent or step-parent would meet these criteria.

Under the Committee bill, the use of this provision would be optional with the States. If a State affirmatively exercised its option, however, it would have to comply with this method in determining the child-father relationship.

Income Disregard

Under present law States are required, in determining need for Aid to Families with Dependent Children, to disregard the first $30 earned monthly by an adult plus one-third of additional earnings. Costs related to work (such as transportation costs) are also deducted from earnings in calculating the amount of the welfare benefit.

Two problems have been raised concerning the earned income disregard under present law. First, Federal law neither defines nor limits what may be considered a work-related expense, and this has led to great variation among States and to some cases of abuse. Secondly, some States have complained that the lack of an upper limit on the earned income disregard has the effect of keeping people on welfare even after they are working full time at wages well above the poverty line.

Until the Committee's new employment program becomes effective in January, 1974, the earnings disregard formula would be modified by allowing only day care as a separate deductible work expense (with reasonable limitations on the amount allowable for day care expenses). States would be required to disregard the first $60 earned monthly by an individual working full time ($30 for an individual working part time) plus one-third of the next $300 earned plus one-fifth of amounts earned above this. This differential between full time and part time employment is designed to encourage those who are able to move into full time jobs.

Once the employment program under the Committee bill becomes effective, however, these earned income exemptions under the residual welfare program would be replaced by a flat monthly exemption of $20, applicable to all kinds of income (with a separate $20 disregard

applicable to child support payments). It would be expected that mothers interested in working would receive their work incentives through participating in the employment program rather than by remaining on welfare.

In order to prevent the State welfare program from undermining the objectives of the Federal employment program, the States would have to assume for purposes of supplemental payments provided under AFDC or any welfare program that individuals, who are eligible to participate in the employment program (but no longer eligible to receive their basic income from AFDC), are actually participating full time in the employment program and thus receiving $200 per month. A similar rule would apply to mothers with children under age 6 who volunteer.

Futhermore, the State would be required to disregard any earnings between $200 a month and $375 a month (the amount an employee would earn working 40 hours a week at $2.00 per hour) to ensure that the incentive system of the workfare program is preserved. These earnings disregards would be a flat requirement; States would not be required to take into account work expenses. The effect of this requirement would be to give a participant in the work program a strong incentive to work full time (since earnings of $200 will be attributed to him in any case), and it would not interfere with the strong incentives he would have to seek regular employment rather than working for the Government at $1.50 per hour.

The table below shows how wages under the employment program would be treated for State welfare purposes:

Hours worked per week	None	20	32	40
Hourly wage		$1.50	$1.50	$2.00
Approximate actual monthly income	0	$130	$200	$375
Income deemed available for State welfare purposes	$200	$200	$200	$200

Assistance Levels

Under existing law, each State decides the level of assistance it will provide for AFDC families. The Committee bill generally reaffirms the right of the State to make this determination. In moving to a block grant approach which involves substantial fiscal relief, however, the Committee feels it is appropriate to require that States could not reduce payments levels to AFDC recipients below $1,600 for a two-member family, $2,000 for a three-member family, and $2,400 for a family of four or more; or, if payment levels are already below these amounts, they could not be reduced at all.

Right to Apply For Aid to Receive it With Reasonable Promptness

The present law requires that:

All individuals wishing to make application for Aid to Families with Dependent Children shall have opportunity to do so, and

that Aid to Families with Dependent Children shall be furnished with reasonable promptness to all eligible individuals.

The Committee bill would reiterate this provision, but would make clear the requirement that aid be furnished "with reasonable promptness" could not be so construed as to interfere with other requirements of the law such as seeking a mother's cooperation in establishing paternity and seeking support payments, or verifying information on income, resources and other eligibility factors.

Community Work and Training Programs

Prior to the enactment of the Work Incentive Program as part of the 1967 Social Security Amendments, the Federal statute permitted Federal matching of AFDC payments made to recipients participating in a community work training program. Since the enactment of the Work Incentive Program, however, the Department of Health, Education, and Welfare has taken the position that the Federal Government will not share in AFDC payments to recipients who are required by State law to participate in an employment program—unless the program is part of the Work Incentive Program. The Committee bill provides that during the period between enactment of the House bill and the effective date of the new Federal employment program, the community work training provisions in the law prior to the 1967 amendments would be applied so that States wishing to have such programs in the interim could do so.

Protective Payments for Children

The Committee bill requires States under the AFDC program to take certain actions to assure that welfare payments are being used in the best interests of children. Existing law provides that when the welfare agency has reason to believe that the AFDC payments are not used in the best interests of the child, it "may" provide counseling and guidance services so that the mother will use the payments in the best interests of the child. This failing, the agency "may" resort to protective payments to a third party who will use the funds for the best interest of the child. The Committee bill makes these procedures mandatory in such cases.

Emergency Assistance—Migrant Workers

Under existing law, emergency assistance may, at the option of the States, be provided to needy families in crisis situations, and it may be provided either statewide or in part of the State. Emergency assistance programs have been adopted in about half of the States, and they receive 50 percent Federal matching. Under the law, assistance may be furnished for a period not in excess of 30 days in any 12-month period in cases in which a child is without available resources and the payments, care, or services involved are necessary to avoid destitution of the child or to provide living arrangements for the child. The Committee bill (1) requires that all States have a program of emergency assistance to migrant families with children; (2) requires that the program be statewide in application; and (3) provides 75 percent Federal matching for emergency assistance to migrant families.

Making Establishment of Advisory Committee Optional

Regulations issued by the Department of Health, Education, and Welfare in 1969 require States to establish a welfare advisory committee for AFDC and child welfare programs "at the State level and at local levels where the programs are locally administered," with the cost of the advisory committees and their staffs borne by the States (with Federal matching) as part of the cost of administering the welfare programs. The Committee bill makes the establishment of such committees optional with the States.

Administrative Costs

The Committee agreed that the Federal Government would continue to pay 50 percent of the cost of administration of the AFDC program including administrative costs related to the provision of Social Services.

Federal Financial Participation in Welfare Payments

The Committee bill would make a major change in the basic method of Federal funding for AFDC by providing a block Federal grant with substantially more Federal funds than are now provided under present law. This approach is described in detail under the heading "Fiscal Relief for States."

TABLE 10.—RECIPIENTS OF AID TO FAMILIES WITH DEPENDENT CHILDREN, DECEMBER OF SELECTED YEARS

Year	Number of recipients	Percent increase since 1960
1940	1,222,000	.....
1945	943,000	.....
1950	2,233,000	.....
1955	2,192,000	.....
1960	3,073,000	.....
1961	3,566,000	+16
1962	3,789,000	+24
1963	3,990,000	+28
1964	4,219,000	+38
1965	4,396,000	+44
1966	4,666,000	+52
1967	5,309,000	+73
1968	6,086,000	+98
1969	7,313,000	+138
1970	9,659,000	+215
1971	10,651,000	+247
1972 [1]	12,573,000	+311
1973: [1]		
Current law	13,800,000	+349
Committee bill	[2] 13,800,000	+349
1974: [1]		
Current law	14,900,000	+385
Committee bill: persons eligible to receive basic income from AFDC	[3] 8,940,000	+191

[1] Estimated.

[2] Some reduction of caseload may be anticipated because of committee amendments related to eligibility rules and administration; the extent of the reduction will largely depend upon State action.

[3] Reflects estimate that about 40 percent of current caseload will no longer be eligible to get basic income from AFDC.

Source: Department of Health, Education, and Welfare.

Statistical Material

TABLE 11.—**AID TO FAMILIES WITH DEPENDENT CHILDREN:** INCOME ELIGIBILITY LEVEL FOR PAYMENTS AND LARGEST AMOUNT PAID TO **FAMILY OF 4,** BY STATE, DECEMBER 1971

	Income eligibility level for payments	Largest amount paid for basic needs
Alabama	$81	$81
Alaska	400	300
Arizona	266	173
Arkansas	210	106
California	314	261
Colorado	235	235
Connecticut	335	335
Delaware	287	158
District of Columbia	245	245
Florida	223	134
Georgia	158	149
Hawaii	268	268
Idaho	241	241
Illinois	273	273
Indiana	355	175
Iowa	243	243
Kansas	290	226
Kentucky	193	193
Louisiana	104	104
Maine	349	168
Maryland	311	200
Massachusetts	283	283
Michigan	293	293
Minnesota	309	309
Mississippi	277	60
Missouri	338	130
Montana	225	206
Nebraska	275	226
Nevada	176	176
New Hampshire	314	314
New Jersey	324	324
New Mexico	203	179
New York	313	313
North Carolina	172	172
North Dakota	300	300

TABLE 11.—**AID TO FAMILIES WITH DEPENDENT CHILDREN:** INCOME ELIGIBILITY LEVEL FOR PAYMENTS AND LARGEST AMOUNT PAID TO **FAMILY OF 4,** BY STATE, DECEMBER 1971—Continued

	Income eligibility level for payments	Largest amount paid for basic needs
Ohio	$258	$200
Oklahoma	189	189
Oregon	224	224
Pennsylvania	301	301
Rhode Island	255	255
South Carolina	198	103
South Dakota	270	270
Tennessee	217	129
Texas	148	148
Utah	224	224
Vermont	319	319
Virginia	261	261
Washington	282	270
West Virginia	138	138
Wisconsin	217	217
Wyoming	260	227

Source: Department of Health, Education, and Welfare.

CHILD SUPPORT

The Committee has long been aware of the impact of deserting fathers on the rapid and uncontrolled growth of families on AFDC. As early as 1950, the Congress provided for the prompt notice to law enforcement officials of the furnishing of AFDC with respect to a child that had been deserted or abandoned. In 1967, the Committee instituted what it believed would be an effective program of enforcement of child support and determination of paternity. Due to a total lack of leadership by the Department of HEW, most States have not implemented these provisions in a meaningful way. The Committee believes, therefore, that a new legislative thrust is required in this area which will create a mechanism to obtain compliance with the law. The major elements of this proposal have been adapted from those States who have been the most successful in establishing effective programs of child support and determination of paternity. Some of the modes of assistance which are created by the Committee plan will be available to deserted families generally, regardless of welfare status. It is hoped that making these provisions available to all deserted families will prevent further expansion of the welfare rolls.

Present law requires that the State welfare agency establish a separate, identified unit whose purpose is to undertake to determine the paternity of each child receiving welfare who was born out of wedlock, and to secure support for him; if the child has been deserted or abandoned by his parent, the welfare agency is required to secure support for him from the deserting parent, utilizing any reciprocal arrangements adopted with other States to obtain or enforce court orders for support. The State welfare agency is further required to enter into cooperative arrangements with the courts and with law enforcement officials to carry out this program. Access is authorized to both Social Security and (if there is a court order) to Internal Revenue Service records in locating deserting parents. The effectiveness of the provisions of present law have varied widely among the States.

Assignment of Right to Collection of Support Payments

In some instances, mothers may have personal reasons for fearing to cooperate in identifying and securing support payments from the father of the child. To protect the mother, and also to allow for a more systematic approach for the collection of support payments, the Committee approved an amendment requiring a mother, as a condition of eligibility for welfare, to assign her right to support payments to the Government and to require her cooperation in indentifying and locating the father and in obtaining any money or property due the family or Government. The assignment of family support rights would be to the Federal Government, and the Department of Justice would

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be authorized to delegate these rights to those States which have effective programs of determining paternity and obtaining child support. The Attorney General would also be authorized to delegate such collection rights to counties that have effective programs, but only if the State as a whole did not.

If the Attorney General found that a State did not have an effective program, the collection rights would remain with the Federal Government and would be enforced by Federal attorneys in either State or Federal Courts. OEO lawyers would be made available to assist Justice Department attorneys in carrying out their responsibility. In this situation the Federal Government would retain the full amount not payable to the family.

The House bill provided that the Federal share for State expenses for establishing paternity and securing support should be increased from 50 to 75 percent. The Committee adopted this provision, but with a proviso that there be no Federal participation in such State programs which do not meet the Attorney General's standards of effectiveness.

Locating a Deserting Parent; Access to Information

Under the Committee bill, the State or local Government would proceed to locate the absent parent, using any information available to it, such as the records of the Internal Revenue Service and the Social Security Administration. The Committee bill extends access to these Federal records to any parent seeking support from a deserting spouse regardless of whether the family was on welfare. Non-welfare families desiring to use this means of finding the absent parent would make the necessary application at local welfare offices. The Federal Government would have to be reimbursed for the cost of these services by the welfare agency or the individual if a welfare case was not involved.

As a further aid in location efforts, welfare information now withheld from public officials, under regulations concerning confidentiality, would be made available by the Committee bill; this information would also be available for other official purposes.

Incentives for States and Localities to Collect Support Payments

Under present law, when a State or locality collects support payments owed by a father, the Federal Government is reimbursed for its share of the cost of welfare payments to the family of the father; the Federal share currently ranges between 50 percent and 83 percent, depending on State per capita income. In a State with 50 percent Federal matching, for example, the Federal Government is reimbursed $50 for each $100 collected, while in a State with 75 percent Federal matching the Federal Government is reimbursed $75 for each $100 collected.

Consistent with the Committee's block-grant approach for AFDC, and as an incentive for the development of effective State and local programs, the Committee bill provides that the entire amount of welfare payments from support collections would remain with the State.

If, however, the actual collection and determination of paternity mechanism is carried out by local authority, the State would pay 25 percent of the governmental share of the support collections to such authority.

In the situation where the location of runaway parents and the enforcement of support orders is carried out by a State other than that in which the deserted family resides, the State or local authority which actually carries out the location and enforcement functions will be paid the 25 percent bonus.

The Committee bill provides, that the Federal Government would have to be reimbursed for any Federal costs incurred by the States and localities in their collection and determination of paternity efforts.

Voluntary Approach Stressed

Once located, the parent would be requested to enter voluntarily into an arrangement for making regular support payments. Primary reliance would be placed on such voluntary agreements as the most effective and efficient means of collecting support, avoiding the need for court action and formal collection procedures. The record of the State of Washington in collecting support payments voluntarily was highlighted in a recent study by the General Accounting Office as a key element in their highly successful support collection program; hopefully, the experience of Washington State can serve as a model for all States.

Civil Action To Obtain Support Payments—Residual Monetary Obligation

In the event that the voluntary approach is not successful, the Committee's bill provides for strong legal remedies. The States, as agents of the Federal Government, in enforcing the support rights assigned to them by welfare applicants would have available to them all the enforcement and collection mechanisms available to the Federal Government, including the use of the Internal Revenue Service to garnish the wages of the absent parent. As stated previously, if these mechanisms are utilized the Federal Government would have to be reimbursed on a cost basis. Support monies received would be distributed according to the formula described under "Incentives for States."

The welfare payment would serve as the basis of a continuing monetary obligation of the deserting parent to the United States. The obligation would be the lesser of the welfare assistance paid to the family, or 50 percent of the deserting spouse's income but not less than $50 a month.

A waiver of all or part of the Federal obligation might be allowed upon a showing of good cause.

Criminal Action

The Committee bill has provided for Federal criminal penalties for an absent parent who has not fulfilled his obligation to support his family and the family receives welfare payments in which the Federal

Government participates. His obligation to support would be determined by applying State civil and/or criminal law. The sanctions for failure to support could include a penalty of 50 percent of the amount owed or a fine of up to $1,000 or imprisonment for up to 1 year or a combination of these.

Determining Paternity

The Committee believes that an AFDC child has a right to have its paternity ascertained in a fair and efficient manner. Although this may in some cases conflict with the mother's short-term interests, the Committee feels that the child's right to support, inheritance, and his right to know who his father is deserves the higher social priority. In 1967, Congress enacted legislation requiring the States to establish programs to establish the paternity of AFDC children born out of wedlock so that support could be sought. The effectiveness of this provision was greatly curtailed both by the failure of the Department of Health, Education, and Welfare to exercise any leadership role and also by Court interpretations of Federal law in decisions which prevented State welfare agencies from requiring that a mother cooperate in identifying the father of a child born out of wedlock.

1. Cooperation of Mother

As noted earlier, the Committee has made cooperation in identifying the absent parent a condition for AFDC eligibility. As a further incentive for cooperation, the first $20 a month in support collections would be paid to the family and disregarded for purposes of determining the amounts of welfare payments to the family. Thus, the family would always be better off if support payments were made by the absent parent.

2. Blood Grouping Laboratories

The Committee has also taken additional steps to provide for a more effective system of determining paternity.

First, a father not married to the mother of his child would be required to sign an affidavit of paternity if he agreed to make support payments voluntarily in order to avoid court action. Most States do not permit initiation of paternity actions more than two or three years after the child's birth; the affidavit would serve as legal evidence of paternity in the event that court action for support should later become necessary.

Second, there is evidence that blood typing techniques have developed to such an extent that they may be used to establish evidence of paternity at a level of probability acceptable for legal determinations.

Moreover, if blood grouping is conducted expertly, the possibility of error can all but be eliminated. Therefore, the Committee adopted a provision to authorize and direct the Department of Health, Education, and Welfare to establish or arrange for regional laboratories that can do blood typing for purposes of establishing paternity, so that the State agencies and the courts would have this expert evidence available to them in paternity suits. No requirement would be

made in Federal law that blood tests be made mandatory. The services of the laboratories would be available with respect to any paternity proceeding, not just a proceeding brought by, or for, a welfare recipient.

Leadership Role of Justice Department

To coordinate and lead efforts to obtain child support payments, the Committee action would require each U.S. Attorney to designate an assistant who would be responsible for child support. This Assistant U.S. Attorney would assist and maintain liaison with the States in their support collection efforts and would undertake Federal action as necessary. The Attorney General would be required to submit a quarterly report to Congress concerning child support activities.

The Committee bill requires that records be maintained of the amounts of support collected and of the administrative expenditures incurred in the collection effort. Amounts collected but not otherwise distributed would be deposited in a separate account which would finance the expenses of the Federal collection efforts. An authorization for an appropriation would be included for the contingency of a deficit in this fund in order to reimburse the Departments of Justice and Treasury for their expenses in this area.

Attachment of Federal Wages

State officials have recommended that legislation be enacted permitting assignment and attachment of Federal wages and other obligations (such as income tax refunds) where a support order or judgment exists. At the present time, the pay of Federal employees, including military personnel is not subject to attachment for purposes of enforcing court orders, including orders for child support or alimony. The basis for this exemption is apparently a finding by the courts that the attachment procedure involves the immunity of the United States from suits to which it has not consented.

The Committee bill would specifically provide that the wages of Federal employees be subject to garnishment in support and alimony cases. This Committee amendment would be applicable whether or not the family bringing the garnishment proceeding is on the welfare rolls.

Child Support Under Workfare

A deserted parent participating in the workfare program could take advantage of the support collection and, where applicable, the paternity determination mechanism provided in the Committee bill. The cost of collection, however, would be deducted from the amounts recovered and the balance would be turned over to the deserted family.

Effective Dates

Unless otherwise indicated in the bill, new features added by the collection of support and determination of paternity provision would be effective January 1, 1973.

Statistical Material

TABLE 12.—AFDC FAMILIES BY PARENTAGE OF CHILDREN, 1971

Parentage	Number	Percent
Total	2,523,900	100.0
Same mother and same father	1,800,200	71.3
Same mother, but 2 or more different fathers	638,400	25.3
Same father, but 2 or more different mothers	5,200	.2
2 or more different mothers and 2 or more different fathers	53,400	2.1
Unknown	26,700	1.1

Source: Department of Health, Education, and Welfare.

TABLE 13.—AFDC FAMILIES WITH SPECIFIED NUMBER OF ILLEGITIMATE RECIPIENT CHILDREN, 1971

Number of children	Number	Percent
Total	2,523,900	100.0
None	1,426,000	56.5
1	559,600	22.2
2	262,400	10.4
3	129,600	5.1
4	71,700	2.8
5	37,300	1.5
6 or more	37,300	1.5

Source: Department of Health, Education, and Welfare.

TABLE 14.—AFDC FAMILIES BY STATUS OF FATHER, 1961, 1967, 1969, AND 1971

Status	Percent of families in—			
	1961	1967	1969	1971
Total	100.0	100.0	100.0	100.0
Dead	7.7	5.5	5.5	4.3
Incapacitated	18.1	12.0	11.5	9.8
Unemployed	5.2	5.1	4.8	6.1
Absent from the home:				
Divorced	13.7	12.6	13.7	14.2
Legally separated		2.7	2.8	2.9
Separated without court decree	8.2	9.7	10.9	12.9
Deserted	18.6	18.1	15.9	15.2
Not married to mother	21.3	26.8	27.9	27.7
In prison	4.2	3.0	2.6	2.1
Absent for another reason	.6	1.4	1.6	1.2
Subtotal	66.7	74.2	75.4	76.2
Other status:				
Stepfather case	2.2	1.9	1.9	2.6
Children not deprived of support or care of father, but of mother		1.3	.9	.9
Not reported			(1)	.1

[1] Less than 0.05.

Source: Department of Health, Education, and Welfare.

TABLE 15.—AFDC FAMILIES BY WHEREABOUTS OF FATHER, 1971

Whereabouts	Number	Percent
Total	2,523,900	100.0
In the home	472,900	18.7
In an institution:		
Mental institution	8,000	.3
Other medical institution	11,200	.4
Prison or reformatory	75,300	3.0
Not in the home or an institution; he is residing in:		
Same county	469,200	18.6
Different county; same State	156,300	6.2
Different State and in the United States	230,900	9.1
A foreign country	27,100	1.1
Whereabouts unknown	959,600	38.2
Inapplicable (father deceased)	113,400	4.3

Source: Department of Health, Education, and Welfare.

FISCAL RELIEF FOR STATES

The Committee is well aware that the growth of the welfare rolls since 1967 has been one of the significant factors in bringing about the fiscal crisis currently facing state and local governments. Much of this growth has been due to increased Federal intervention in the control of the welfare programs by the State. The Committee feels that having the Federal Government take over the control of the welfare program is not now a step that should be taken. It believes that the correct approach is in the opposite direction. Accordingly, the Committee carefully designed many parts of this bill so that the State's control of welfare programs would be strengthened rather than weakened. The Committee recognizes, however, that this represents a long-range solution and that many States feel an acute need for immediate relief from the pressures of swollen welfare budgets. Under the Committee bill therefore, the fiscal burden on the States will be substantially decreased through increases in the Federal funding of assistance payments as well as through indirect fiscal relief resulting from improvements which the Committee bill makes in the general structure of the welfare programs.

Over the next 2½ years, the bill provides $5 billion in fiscal relief to the States. Of this, $2.6 billion represents fiscal relief in 1974, the first year the new employment programs are fully effective. The table below shows the detail for each of the years 1972–74.

[Dollars in billions]

	1972	1973	1974	Tota
Aid to the aged, blind, and disabled	$0.2	$1.0	$1.2	$2.4
Aid to families with dependent children	.4	.8	1.4	2.6
Total	.6	1.8	2.6	5.0

The estimated fiscal relief provided for each State in calendar year 1974, with respect to cash public assistance payments is shown in the table below.

TABLE 16

STATE SAVINGS IN WELFARE PAYMENT COSTS, 1974 [1]

[In millions of dollars]

State	Committee proposal			Estimated savings under H.R. 1
	Adult categories	Family welfare benefits	Total	
	(1)	(2)	(3)	(4)
Total	1,230.4	1,378.9	2,609.3	1,859.2
Alabama	27.1	12.9	40.0	31.1
Alaska	2.6	2.9	5.5	3.5
Arizona	10.6	32.0	42.6	40.5
Arkansas	14.0	7.5	21.5	21.5
California	298.9	163.3	462.2	180.9
Colorado	15.9	15.3	31.2	16.5
Connecticut	10.4	11.5	21.9	16.7
Delaware	4.5	3.7	8.2	4.7
District of Columbia	10.4	45.4	55.8	50.8
Florida	32.6	90.3	122.9	135.3
Georgia	24.9	36.5	61.4	58.9
Hawaii	3.6	8.7	12.3	9.4
Idaho	1.7	1.8	3.5	2.0
Illinois	45.4	100.6	146.0	167.0
Indiana	9.2	29.2	38.4	28.2

Iowa	19.4	10.1	29.5	22.7
Kansas	7.0	13.2	20.2	12.1
Kentucky	15.4	10.8	26.2	15.3
Louisiana	32.8	39.5	72.3	68.8
Maine	4.4	3.2	7.6	2.5
Maryland	17.1	52.8	69.9	72.3
Massachusetts	51.5	39.9	91.4	64.8
Michigan	45.3	94.9	140.2	97.4
Minnesota	13.1	14.5	27.6	17.5
Mississippi	14.6	5.5	20.1	20.8
Missouri	34.3	15.0	49.3	10.8
Montana	1.8	1.7	3.5	1.7
Nebraska	2.4	4.4	6.8	7.1
Nevada	.8	1.9	2.7	1.7
New Hampshire	4.0	1.2	5.2	2.2
New Jersey	20.1	30.0	50.1	48.5
New Mexico	4.0	3.6	7.6	3.7
New York	168.5	135.8	304.3	168.3
North Carolina	19.9	16.7	36.6	31.2
North Dakota	2.1	2.2	4.3	1.2
Ohio	29.9	94.0	123.9	103.0
Oklahoma	33.5	14.1	47.6	39.0
Oregon	6.7	14.9	21.6	15.4
Pennsylvania	46.8	57.1	103.9	70.0
Rhode Island	4.4	9.4	13.8	7.1

See footnote at end of table.

STATE SAVINGS IN WELFARE PAYMENT COSTS, 1974 [1]—Continued

[In millions of dollars]

State	Committee proposal			Estimated savings under H.R. 1
	Adult categories	Family welfare benefits	Total	
	(1)	(2)	(3)	(4)
South Carolina	5.9	7.0	12.9	12.9
South Dakota	.7	1.4	2.1	1.4
Tennessee	13.2	16.3	29.5	26.8
Texas	42.4	32.5	74.9	44.8
Utah	2.5	5.6	8.1	5.2
Vermont	2.3	1.6	3.9	3.7
Virginia	9.5	12.1	21.6	20.8
Washington	15.4	14.6	30.0	12.0
West Virginia	8.5	7.0	15.5	14.4
Wisconsin	17.9	32.0	49.9	44.6
Wyoming	.5	.8	1.3	.5

[1] Based on fiscal year 1974 data.

Federal Funding of Aid to the Aged, Blind, and Disabled

The Committee bill establishes minimum Federal standards for assistance to the aged, blind, and disabled, but leaves to the States the administration of the program under State eligibility rules. To give the States both substantial fiscal relief and a fiscal stake in good administration, the cost of making assistance payments meeting the Federal payment level requirements would be borne entirely by the Federal Government up to a specified base amount under the following formula:

> Federal funding would be provided for the costs of assistance to the aged, blind, and disabled up to the standards required by the bill ($130 for an individual, $190 for a couple with a $50 disregard of all income and additional disregards of earned income). These costs would be fully Federal up to the higher of (1) the cost of meeting these standards for a State's existing caseload; or (2) the State's share of $5 billion distributed among the States in proportion to the number of aged individuals with income below $1,750 and aged couples with income below $2,200 in 1969. If State costs involved in meeting the Federally required payment levels exceeded the higher of these amounts, the Federal Government would also pay 90 percent of the excess. There would be no Federal funding with respect to assistance provided at levels above those required by the Committee decision.

Under this formula most States would be required to pay a relatively small proportion of the costs involved in the Committee decision. A number of States, however, would have no costs at all for 1974; but these States would be required to pay small amounts in future years when their caseload grows to the point that the fully Federal base amount is no longer sufficient to cover the payments required by the Federal standards. As a result, all States would be relieved of all but a very small amount of responsibility for the funding of aid to the aged, blind, and disabled and would enjoy the savings shown in column 1 of the preceding table. However, there would be an incentive for the States to exercise control over caseload growth since they would be required to pay a part of the costs related to all additional recipients once the Federal base amount is exceeded.

In 1974, it is estimated that this formula would result in Federal payments to the aged, blind, and disabled of $4.2 billion (compared with $2.0 billion under existing law). State costs under the bill would be $0.2 billion compared with $1.4 billion under existing law, yielding fiscal relief for the States of $1.2 billion. The same formulas would apply with respect to assistance for the aged, blind, and disabled in the remaining months of 1972 and in 1973. It is estimated that this will result in State savings of $0.2 billion this year and $1.0 billion in 1973.

Federal Funding of Aid to Families with Dependent Children

In the Aid to Families with Dependent Children program, the Committee bill changes the funding mechanism from the present formula matching to a block grant approach. This new method of providing Federal funds for AFDC results in substantial immediate fiscal relief and is also consistent with the Committee's desire to return to the States a greater measure of control over their welfare programs. For the last 6 months of calendar year 1972 and for 1973 the block grant would be based on the funding for calendar year 1972 under current law. Starting in 1974 the grant would be adjusted to take into account

the effects of the work program. The following formula would be used:

The grant for 1973 would equal the 1972 Federal share, plus an additional amount equal to one-half of the 1972 State share, or if less the amount needed in 1972 to bring family income up to $1,600, $2,000 or $2,400 for families with two, three, or four or more members, respectively. In no case, however, would the Federal block grant be less than 110 percent of the Federal share in 1972. For the last 6 months of calendar year 1972, the grant would be one-half of the 1973 grant.

After the employment program becomes effective in January 1974, the Federal grant for AFDC would be reduced somewhat in recognition of the fact that families with no children under age 6 would no longer be eligible for AFDC. This reduced grant would remain the same in future years, except that it would be increased or decreased to reflect changes in total State population.

For example, it is estimated that the Federal block grant for AFDC in California would be $689.4 million in 1973. After the employment program becomes effective, this would be reduced to $526.7 million. The $526.7 million would remain as the annual amount of the Federal grant to California for AFDC except that it would be adjusted each year to reflect any percentage increase or decrease in the State's population.

The table below shows the State savings under AFDC over the next 2½ years.

TABLE 17.—STATE SAVINGS IN AFDC COSTS UNDER COMMITTEE BILL

(In billions)

Year	Current law		Committee bill		
	Federal	Non-Federal	Federal	Non-Federal	Fiscal relief to States
1972 [1]	$2.2	$1.8	$2.6	$1.4	$0.4
1973	4.4	3.6	5.2	2.8	.8
1974 [2]	4.8	3.9	3.7	2.5	1.4

[1] Last 6 months only.
[2] Total AFDC costs are reduced under Committee bill because many current law recipients would no longer be eligible to receive their basic income from AFDC.

Federal Funding Costs of Public Assistance Administration

The Committee bill would retain the present financing arrangement with respect to the costs of administration of the AFDC program. Under this arrangement, such costs are shared on a 50 percent Federal—50 percent State basis.

In the programs of aid to the aged, blind, and disabled, the Committee bill would provide Federal funding equal to 100 percent of the administration costs in calendar year 1972 plus 50 percent of any costs above this base. The additional Federal funding would be needed because several States may have substantially greater administrative costs due to the new Federal assistance standards for the aged, blind, and disabled.

Internal Revenue Amendments

Retirement Income Credit

Under present law, a retirement income credit of up to $1,524 multiplied by 15 percent ($229) is allowed for single persons age 65 or over having "retirement income"—that is, income from pensions, dividends, interest, rents, and other passive income. The income eligible for this credit is reduced, however, by social security, railroad retirement, or other tax-exempt pension income. It is also reduced by 50 percent of earnings between $1,200 and $1,700 and on a dollar-for-dollar basis as income rises above $1,700. For most married couples, the limitation on the credit is $2,286, one and one-half times the amount allowed a single person, and the maximum benefit is $342.90.

In addition, under present law, the retirement income credit, determined substantially as indicated above, is available for retirement income received from governmental units where the individual is under age 65, except that if he is also under age 62, earnings in excess of $900 reduce the $1,524 limitation on a dollar-for-dollar basis.

The Committee bill includes, with minor modification, the liberalized and simplified retirement income credit contained in the House bill. As adopted by the Committee, the limitation would be raised to $2,500 for a single person and $3,750 for a couple. Thus, the maximum credit will be $375 for a single person and $562.50 for a couple. The Finance Committee did not include in its bill the feature of the House provision which would have extended the credit to persons who have not yet retired.

Social Security and Unemployment Tax of Affiliated Corporations

The Social Security tax is based on the wages paid an employee, with a limitation on the amount subject to tax. Under present law, the limitation is $9,000 ($10,200 under the Committee bill). In some instances, an employee on the payroll of one member of an affiliated group of corporations may perform services for other members of the group; in these cases, he may be treated as a separate employee of each member of the group for which he performs services and the remuneration he receives may be attributed to them. As a result, the $9,000 limitation on wages subject to social security is applied to the remuneration attributed to each company separately, rather than to the total remuneration received by such employee, and the FICA tax collected with respect to his employment may be based on compensation considerably in excess of the statutory limit. While the employee may obtain a refund of any excess social security tax paid, the related employers may not.

The Committee approved an amendment to eliminate duplication of FICA tax in the situation described. The amendment also applies to

eliminate the duplication of the Federal unemployment taxes which may occur under similar circumstances. Under the amendment, an individual who performs services for more than one member of an affiliated group of corporations would be treated as an employee only of the member or members of the group by which he is employed and from which he receives his compensation. Under the committee action the present practice of attributing payments of compensation to other members of an affiliated group would no longer prevail.

Analysis of Cost of Committee Bill

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Chart 1

Cost Increases in H.R. 1 and Committee Bill

The chart shows the net increase in cost over current law for calendar years 1973 and 1974 for H.R. 1 and the Committee bill. Details for each of the program categories are shown in the succeeding charts and text.

The estimated costs for H.R. 1 are those prepared by the Department of Health, Education, and Welfare. As discussed in the text accompanying chart 5, some of these costs are believed to be significantly understated.

The cost estimate for the tax credit provisions relates to the retirement income credit provision in the House bill plus the credit added by the Committee for employers hiring persons who have been in the Committee's employment program. This estimate was prepared by the staff of the Joint Committee on Internal Revenue Taxation.

In summary, the Committee bill would cost $5.7 billion more than the House bill in 1973 and $6.3 billion more in 1974. Of the 1974 increase, $3.9 billion represents increased social security benefits and $2.4 billion represents increased general fund costs (principally payments to low-income working persons).

The Committee bill would cost $17.6 billion more than existing law in 1974, as shown below:

[In billions of dollars]

	Present law	Committee bill	Increase
Social security cash benefits	$43.2	$50.6	+$7.4
Medicare Part A	8.3	10.7	+2.4
Medicare Part B	3.3	3.9	+.6
Medicaid	6.1	6.1	.....
Aid to the aged, blind, and disabled	2.7	4.9	+2.2
Programs for families	7.0	11.5	+4.5
Increase in tax credits			+.5
Total			+17.6

Chart 1

Cost Increases in H.R.1 and Committee Bill

(in billions)

	1973		1974	
	H.R.1	Committee bill	H.R.1	Committee bill
General Funds				
Medicare Part B	$0.4	$0.3	$0.4	$0.6
Medicaid	-0.5	---	-0.5	---
Aged, blind, disabled	1.1	2.0	2.6	2.2
Programs for families	1.3[1/]	2.7	2.5[1/]	4.5
Tax credit provisions	0.4	0.4	0.4	0.5
SUBTOTAL	2.7	5.4	5.4	7.8
Increase in Committee bill		(+2.7)		(+2.4)
Trust Funds				
Social security cash benefits	3.9	7.0	4.3	7.4
Medicare Part A	1.5	1.4	1.6	2.4
SUBTOTAL	5.4	8.4	5.9	9.8
Increase in Committee bill		(+3.0)		(+3.9)
TOTAL	8.1	13.8	11.3	17.6
Increase in Committee bill		(+5.7)		(+6.3)

1/ Based on HEW estimate; Committee estimate is $2.0 billion higher in 1974.

Chart 2

Social Security Cash Benefits

H.R. 1 as passed by the House of Representatives provided for a first year increase in the cost of social security cash benefits of $3.9 billion. A 5 percent general benefit increase accounted for $2.1 billion of this total. Under the Committee bill, there would be an additional increase in social security cash benefit costs of $3.1 billion for a total increase over existing law of $7.0 billion. The 10 percent general benefit increase in the Committee bill represents a cost of $2.2 billion over the 5 percent increase in the House bill.

Chart 2

Social Security Cash Benefits

(First full year costs, in billions)

Increases in House Bill	
5 percent benefit increase	$2.1
Widow's benefits	0.9
Increase in earnings limit	0.6
Other changes	0.3
SUBTOTAL	3.9
Increases in Committee Bill	
Benefit increase of 10% rather than 5%	2.2
Special minimum up to $200	0.3
Credit for delayed retirement	0.2
Other changes	0.4
SUBTOTAL	3.1
TOTAL INCREASE IN COMMITTEE BILL OVER PRESENT LAW	7.0

Chart 3

Medicare and Medicaid

Medicare Part B

The principal increased cost in the committee bill is attributable to covering the disabled under Medicare on a basis similar to that approved by the House.

The Committee also approved adding coverage of chiropractors under Medicare and limiting the percentage by which the Medicare Part B premium paid by older people could be raised from one year to the next.

In addition, other changes were approved that were designed to smooth Medicare operation.

Medicaid

The Committee bill would for the first time cover eligible mentally ill children under age 21 receiving treatment in an accredited medical institution.

The Committee also provided that workfare participants otherwise ineligible for Medicaid would have the opportunity to "buy in" by paying premiums, with Federal subsidy for any remaining costs of benefits.

The principal change resulting in a decrease in Medicaid costs was the Committee's repeal of Section 1902 (d) which presently prohibits States from moderating their programs.

Medicare Part A

Extension of hospital insurance for the disabled accounts for the major cost increase shown on the chart.

A new benefit was added by the Committee covering a limited number of drugs appropriate for use in treating the chronically ill.

The definition of eligibility for services in an extended care facility was liberalized in the committee bill so as to simplify administration and improve availability of benefits.

Chart 3

Medicare and Medicaid, 1974

	(dollars in billions)
GENERAL FUNDS	
Medicare Part B:	
Present law	$1.8
Extend coverage to disabled	0.4
Cover chiropractic, limit premium, other changes	0.2
Medicaid:	
Present law	5.3
Mentally ill children	0.1
Coverage of workfare participants	0.2
Other changes	-0.3
NET INCREASED GENERAL FUND COSTS	+0.6
TRUST FUNDS	
Medicare Part A:	
Present law	8.3
Extend coverage to disabled	1.5
Coverage of drugs	0.7
Extended care definition, other changes	0.2
NET INCREASED TRUST FUND COSTS	+2.4

Chart 4

Aid to the Aged, Blind, and Disabled

Under the Committee bill, the Federal share of aid to the aged, blind, and disabled for 1974 is estimated to be $4.9 billion, including $4.4 billion in assistance payments ($2.2 billion more than under current law) and $0.5 billion for administrative costs ($0.3 billion more than existing law). This $2.5 billion increase in Federal expenditures is offset by a reduction of $0.3 billion in food stamp costs for a net increased Federal cost of $2.2 billion. (Recipients would be ineligible for food stamps but would get offsetting increases in cash assistance.)

The increase in Federal costs results from the new Federal standards for assistance to the aged, blind, and disabled, and from the changed funding mechanism under which the Federal Government assumes most of the cost of assistance payments and an increased share of administrative costs.

Chart 4

Aid to the Aged, Blind and Disabled, 1974

	Cost in billions
Present law:	
Welfare payments	$2.2
Administration	0.2
Food stamps	0.3
TOTAL	2.7
Committee increases:	
Welfare payments (including cashing out of food stamps)	+2.2
Administration	+0.3
Food stamps	-0.3
TOTAL INCREASE	+2.2

Chart 5

Cost of Programs for Families: H.R. 1 and the Committee Bill

The table shows the total cost of the program for families in H.R. 1 and the Committee bill for calendar year 1974. The comparable cost of present law is $7 billion. Two estimates are shown for each bill, one prepared by the Department of Health, Education and Welfare, and the other by Mr. Robert Myers, consultant to the Committee and former Chief Actuary of the Social Security Administration. The detailed bases of these estimates were submitted to the Committee.

Chart 5

Cost of H.R.1 and Committee Bill, 1974: Programs for Families

(dollars in billions)	H.R.1		Committee Bill	
	HEW estimate	Committee estimate	HEW estimate	Committee estimate
Government employment	---	---	$5.7	$2.6
Wage supplement	---	---	1.7	0.3
Children's allowance	---	---	0.5	---
10% work bonus	---	---	1.1	1.2
Welfare payments	$5.1	$7.1	3.2	3.7
Cost of cashing out food stamps	1.5	1.5	1.8	1.8
Child care: Additional	0.8	0.8	1.5	0.8
Included in Gov't employment	---	---	---	(0.4)
Public service jobs	0.8	0.8	---	---
Services, training	0.6	0.6	0.8	0.4
Administration: Additional	0.7	0.7	1.7	0.7
Included in Gov't employment	---	---	---	(0.4)
TOTAL	9.5	11.5	18.0	11.5
Present law	7.0	7.0	7.0	7.0
NET INCREASED COST	2.5	4.5	11.0	4.5